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# CHANGING THE COURSE: FEDERAL GRANTS-IN-AID FUNDING, 1964-83

## The Effects of the Reagan Administration Budget Cuts on the District of Columbia and Other Urban Centers

Y 184

[A supplement to Problems in Urban Centers, Vols. I and II, Serial Nos. 96-17 and 97-15]

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STAFF REPORT

FOR THE

COMMITTEE ON
THE DISTRICT OF COLUMBIA
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

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Professor ERIC SEWELL,
*Special Staff Research Assistant,*
*Committee on the District of Columbia.*



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## FOREWORD

This study is an analytical statement on efforts of the Federal Government during the past 20 years in providing opportunities for survival and individual social advancement of aspiring disadvantaged persons in urban areas.

Throughout American history, the Federal Government has intentionally provided a basis on which assertive individuals could depend on their efforts to improve their positions in life. This has been manifested in Federal support for the westward expansion of the country, the development of the railroads, the programmatic content of the Government response to the Great Depression, the G.I. bill following the Second World War, Social Security, Medicaid, et cetera, among the many Federal commitments to maximizing opportunities for the development of all Americans. Such Government programs and services, commonly called social programs or public services, have existed in America for many decades.

Unsupported individualism is not the sole nor the most honest explanation for individual success in America. Most striving has occurred in the context of individual access to economic opportunity, which has been provided by institutional frameworks such as Federal programs and aid to institutions and individuals. Without access to institutional opportunity, many individual achievements would not have been realized. This is not inconsistent with the expectation of Government shared by the Founding Fathers in the Constitution that government was being created, among other things, to "* * * promote the general welfare * * *."

As the United States has been transformed from an agrarian society to an industrial one, life has become more complex for the individual; and as further change has evolved with increasing urbanization, additional dimensions have been added to this complexity. We have moved from a rural society in which individualism and independence were real possibilities for some to more interdependent social relationships as we have become more urban. We live an interdependent, interconnected urban existence. With these new complexities and rising interdependence, opportunities for success—or the lack of thereof—have necessarily become more clearly dependent on the nature of institutional support structures. We can institutionalize failure for some and success for others, or we can create institutions that maximize the probabilities of success for everyone. That is the nature or urban life in the industrial era.

The quality of urban life is based on many factors beyond the individual's control, and for this reason, all levels of government—national. State, and local—must play a strong role in partnership with public and private organizations in providing the institutional means to enhance opportunity and the overall quality of life for the individual in urban communities.



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One of the most direct means of doing this has been the program of Federal grants-in-aid to State and local governments. Funded by Federal revenues, local communities have been able to provide programs and needed services at the most intimate level of American government. This has greatly enhanced the ability of local communities to meet the specific needs of their residents. Federal grants-in-aid programs cover a wide range of activities and have made a significant qualitative difference in the lives of millions of Americans.

The recent cutbacks by the Reagan administration in Federal grants-in-aid related to urban programs signals the eventual destruction of institutionalized access to opportunity for millions of Americans in this and subsequent generations.

In a recent New York Times column, Sydney Schanberg wrote, "New York City is booming economically. Yet more people are hungry and homeless in the city than at any time since the Depression." (See, "The Poverty Divide," New York Times, January 22, 1985, p. 25.) Further emphasizing this increasingly stark division, a report of the Community Service Society of New York says that New York remains a city of gold for those at the top of the economic ladder, but a city of despair for many elderly, for the homeless, and for women and children barely subsisting on public welfare. The authors wrote that New York is becoming a "polarized segmented city," with the prediction that by 1990 one out of every three New Yorkers will be living in poverty. Several factors are said to be contributing to this problem. Heading the list are:

the Reagan cuts in social programs;
the increasing number of households headed by women; and
the rising number of high school dropouts.

All of these problems cannot be solved by Federal grants-in-aid; however, the resources that have been substantially diminished by the Reagan administration will contribute to a great negative difference.

If this can happen in New York City, what about the Nation? Is New York City a microcosm of the Nation? Is this what we will face in our Nation's future? What about an urban center like the District of Columbia? We are gambling our existence on a dangerous myth—that an individual in contemporary American society is truly self-sufficient and self-determined, and that his or her destiny, of achievement and success or ultimate distress and failure, is solely based on the individual's initiative. Our history suggests that this conclusion is wrong!

The individual's destiny is really based on the access to opportunity historically afforded by traditional American institutions. We must state the truth about this and set side the myth.

This study reviews and analyzes the Reagan administration's budget cuts in the context of the last 24 years in Federal grants-in-aid funding related to urban areas. It also fills out the context of these budget cuts by presenting corresponding changes in social philosophies and budgetary approaches to urban social problems of Presidents of the United States during this period.

Without substantial grants-in-aid required to continue and sustain access to the institutional apparatus of opportunity for all Americans, the cities face an array of problems that will result in a

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catastrophic decline in the quality of life for large segments of the urban population. Without a reversal of present national policies affecting the cities, the American way of life will be altered for many, as the upward mobility for millions of Americans is curtailed.

This study states the problem and offers some solutions, some alternatives to budget cuts, and new policies for our cities, the District of Columbia, and the Nation.

RONALD V. DELLUMS,
*Chairman.*

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## STAFF SUMMARY AND CONCLUSIONS

A 20-year analytical review of Federal grants-in-aid for urban programs, this study examines the 16 years (1964–80) of Federal aid to urban areas and compares it to the Reagan administration's policy and accomplishments in their first 3 years (1981–83).

The four Presidential eras covering this period, two Republican and two Democratic, are reviewed to determine their overall philosophies, economic theories and approaches to managing the budget, current U.S. economic conditions, and contemporary social history.

The effects of the Reagan budget reductions on various segments of the urban population are assessed, and urban problems and their relationships to Federal grant-in-aid funding are analyzed.

A unique aspect of this inquiry is that it also assesses the impact on the District of Columbia, a special urban center with partial home rule, on its ability to meet the needs of its constituency in light of the fact that most of its residents are minority group members. This in itself creates special problems for urban management, particularly in finding adequate resources to meet pressing human needs.

A theory of the political rationale for State-by-State variations in the cuts is generated. The State-by-State relative intensity of the cuts seems to have had little to do with fairness or the needs of various urban populations. Rather, it seems apparent that the States ranked lowest in per capita budget cuts are related to Presidential southern and western strategies for reelection in 1984 and beyond.

The study also assesses the impact of the Reagan cuts on nonprofit organizations, which have been thrust in the role of providing social services for people left in the lurch by program cutbacks. Tax cuts and changes in nonprofit mailing privileges have severely limited the capabilities of nonprofit organizations to raise enough money to deal with the rising needs and demands of the American urban population.

The two overriding policy questions are:

Has the Reagan administration budget for Federal grants-in-aid for urban-oriented programs affected the way of life of urban Americans?

What policies can be adopted by future Presidents to alleviate the problems of these funding cuts.

### BACKGROUND OF THE STUDY

Congressional hearings were held during the 96th and 97th Congresses in four principal cities by members of the House Committee on the District of Columbia—in Houston, Philadelphia, Los Angeles, and Washington, DC—to learn firsthand about the problems



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faced by citizens, agencies, and elected local leaders as a result of grant-in-aid cutbacks. (We recommended these documents, to which this report is a supplement. See: "Problems in Urban Centers," oversight hearings in the Committee on the District of Columbia. Ninety-Sixth and Ninety-Seventh Congresses, vols. No. I and II. Serial Nos. 96-17 and 97-15.) To provide a quantitative research basis for the findings of these hearings, this study was initiated on the effects of changes in Federal grants-in-aid on urban centers, most especially the District of Columbia.

The research was based on existing studies, congressional hearings, the Federal budget, and U.S. Treasury documents. Conversations were held with Congressional Budget Office officials, and many scholars and other experts were consulted.

## HISTORICAL BACKGROUND

Federal grants-in-aid have been a funding apparatus of the American Government for more than a century, with the foundations of the present system dating from the passage of the Morrill Act in 1862. This legislation created the land-grant institutions of higher education within specific standards of the type common in contemporary grant-in-aid administration. Other Federal grants-in-aid were later generated to support programs in agriculture, highway construction and maintenance, vocational education and rehabilitation, forestry, public health, and many other fields. The Great Depression witnessed the addition of grants-in-aid for income security and other social welfare programs. But even with this extensive early activity, Federal grants-in-aid did not become a prominent feature of the Federal budget until after World War II. In the 15 years between 1950 and 1965, total Federal grants-in-aid to State and local governments increased more than fivefold, from $2 billion to $11 billion. By 1978, they were at $77.9 billion. During the past few years Federal grants-in-aid are more than 15 percent of Federal outlays for domestic programs, and a major feature of the budget.[1]

## SUMMARY OF FINDINGS

The main body of the report focuses on Federal grants-in-aid activity during the Presidential administrations from Kennedy through Reagan.

The *Kennedy Presidency* broadcasts a philosophy and moral direction for the country with a strength and vigor that had not been seen for many years. While a number of new programs were set in motion, Kennedy was assassinated before many of them could bear real fruit. Yet, they set the tone and paved the way for the Johnson administration that followed.

The *Johnson Presidency* developed a package of programs aimed at creating a "Great Society." Included in these were an effort called the "War on Poverty." Both of these involved substantial grants-in-aid programs to the States and nonprofit organizations for problem solving at the community level. Great Society programs seem to have been very effective in urban areas—in providing needed services, affecting income distribution, providing training for meaningful employment, and reducing poverty. Ultimately,

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however, the programs were found to be in competition with the war effort in Vietnam, and Great Society programs did not develop in the way that had been anticipated.

President Nixon reduced many grant programs of the Johnson administration, and terminated others, dubbing them ineffective. He also reduced categorical grants to cities in favor of block grants to local governments, based on his philosophy of the relationship between the States and the Federal Government in the American pattern of institutional authority—States' rights. The Nixon administration terminated the Vietnam war, but did not shift the dollars formerly devoted to this cause over to the domestic ledger. Poverty and other social problems were stabilized. He instituted revenue sharing and other significant urban programs.

President Nixon was reelected in 1972 and continued the same approach, emphasizing block grant disbursements to local areas. When Gerald Ford became President in 1973 upon Nixon's resignation, he apparently defined his role as one of carrying forward the Nixon policies. Poverty and other social problems began to rise again, most notably unemployment. Block grants and revenue sharing, the return of a portion of Federal tax revenues to State governments for use as they see fit, were begun. Unlike the formerly dominant categorical grants, these funding mechanisms do not emphasize social targeting. The Ford administration was characterized by a laissez-faire mentality, permitting—some would say encouraging—a new emphasis on States' rights, and promoting the deregulation of business.

President Carter was unclear in his management approach. A fiscal conservative, he instituted "zero based budgeting," and reduced many categorical grants-in-aid programs in favor of block grants. The reduced dollars had a negative effect on the cities. However, he provided direction and new organizational apparatus to facilitate the development of a focused and coherent national urban policy. He also instituted large outlays for education and transportation. Both inflation and unemployment climbed during the Carter administration. In sum, his Presidency was ineffective in dealing with the problems of cities, and his leadership was ambivalent, though he provided some direction and instituted new organizational forms for urban policy at another level, including mechanisms for coordinating the implementation of national urban policy. Many Democrats were ambivalent about his leadership, and others were clearly disappointed.

In contrast to Carter, the Reagan administration was clear in its approach, and sharply reduced Federal grants-in-aid to cities in all policy areas. The approach has been the most radical of the last 20 years, resulting in marked shifts in Federal outlays for grants-in-aid of urban relevance. These changes were not administered evenhandedly to the States, but seem to have been fashioned according to a political formula. The cutbacks have required cities to reduce services, resulting in severe hardships for millions of American urban residents. Poverty has risen substantially, and large elements of the American way of life have been altered. At the same time Federal expenditures for defense have risen sharply, along with an alarming increase in the national debt.

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The Reagan administration had made the assumption that the nonprofit sector would fill the void left by the diminishing Federal role in the provision of grants-in-aid to State and local governments.

However, this study shows that nonprofit organizations cannot do this because they, too, have suffered losses in funding because of the Federal cutbacks. The study also shows that policies affecting postal rates charged to nonprofit organizations and changes in policies have constricted the capacity of private nonprofit agencies to raise the revenues needed to meet the rising demand for their services. Indeed, it seems apparent that they will not be able to maintain the levels of service provided in the recent past.

The study suggests that a strategy for the differential allocation of budget cuts by State was adopted by the Reagan administration to enhance Republican political strength. This strategy was basically southern and western in content, and sought at once to favor friends and supporters, as well as building toward a long-term Republican majority based on these areas of the country.

This procedure ignored the needs of the American people and did not play to any principle of fairness, but followed the most expedient political agenda.

Special attention is given to certain urban populations—notably, Hispanics, youths, the elderly, blacks, and the impoverished. The poverty rate rose from 11.2 percent to 14.9 percent of the total population during the first 3 years of the Reagan administration.

The overall impacts of the budget cuts are assessed, as well as the implications for the future of America, as program services funded by grants-in-aid are curtailed or eliminated.

Attention is given to the elucidation of the impact of the budget cuts on small and large businesses. The impact of the tax cuts is also noted.

The District of Columbia has suffered the greatest per capita loss in Federal grants-in-aid funding of any State level jurisdiction during the Reagan Presidency. This proves that the partial home-rule status of the District of Columbia is a significant political liability, making it difficult for elected officials in this key jurisdiction to protect the quality of life of its residents. To alleviate this problem full home-rule status is recommended (statehood) and more an equal partnership between the Federal Government and the District of Columbia as a showcase for the Nation in urban programs.

## RECOMMENDATIONS

To substantially depoliticize the Federal grants-in-aid process as it affects urban centers, and to attenuate the mercurial fluctuations of programs dependent on these funds, the following steps are recommended:

The development of a quasi-public Domestic Development and Reconstruction Fund to provide long-term low-interest loans to urban centers for their development and revitalization. This entity would be funded completely by the private sector, with certain Federal taxation and loan guarantee supports, through bond issues.

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The creation of Urban Development Corporations on local levels to provide comprehensive planning on a 5, 10, or 20 year basis for the systematic growth and enhancement of urban areas.

The mobilization of local urban residents corps to organize paint-up and fix-up crews to assist in revitalizing urban areas under the aegis of Urban Development Corporations. This effort would be aimed at the unemployed, dislocated, and unskilled worker, and funded through cooperative arrangements by both public and private sources.

The creation of Urban Tech Centers sponsored by major corporations with tax credit incentives to train urban residents in many high technology skills that will assure their employability in the 1980's and 1990's.

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## CHAPTER 1: THE SIXTIES—1960-68 (KENNEDY-JOHNSON AND JOHNSON-HUMPHREY YEARS)

### The Kennedy Philosophy

Contemplating the *philosophy of the President,* Thomas Bailey, the noted historian, wrote that "a . . . President can determine and influence the national mood and direction. The power of the President is implied in the Office of the President as an institution."[2]

John Fitzgerald Kennedy, the 36th President of the United States, set national goals for the country based on a bold philosophy, the "New Frontier," the theme of his Presidential years, called for stimulated growth of American industry, while at the same time providing policy and program assistance for the less fortunate. He articulated a concern for the weak, medically infirm, and the poor. He did not blame them for their plight, but saw their condition as a result of a lack of opportunity and the failure of social institutions. Arguing that Government should play a major role in strengthening these institutions, he centered his philosophy on the socio-religious theme of "providing for our neighbors." It called for a collective approach to social progress. He was concerned that a wealthy country should spend some of its wealth on its human resources—for example, on education, training, and worker mobility.

He wanted to use public policy to make the American dream apply to all Americans. This was his stated philosophical foundation as articulated in speeches characterizing his administration.

President Kennedy was a Keynesian in his approach toward managing the economy, consistent with his emphasis on Government as the genesis of opportunity. Kennedy's goals and programs were developed to address four problems—unemployment, economic growth, the quality of life, and poverty.

### The State of the Economy

When President Kennedy took office the unemployment rate was 6.7 percent and the annualized inflation rate was 1.0 percent.[3] The country was coming out of a cyclical recession which was most severe in 1958 and 1959.

The rise of average per capita income, the maintenance of low unemployment, social security and welfare measures introduced during the Roosevelt era had combined to substantially reduce poverty in the United States by 1960, yet poverty remained a national problem of considerable public concern. This public concern arose from a change in the distribution of poverty. Immediately after World War II poverty seemed to be a problem of the agricultural South, which meant that most people rarely saw it, and that a



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change in agricultural policy or migration from farm to city would be an appropriate cure. By 1960 much migration had occurred, reducing the depth of poverty. However, the migration had made the urban nonpoor more conscious of poverty, and they wanted the problem eliminated.

As mentioned earlier, Kennedy and his advisers manifested a Keynesian economic view, with its assumption that Government action affects the distribution of income, presumably in an equalizing direction. They believed in progressive income taxation as a means of reducing inequality and supported measures to reduce poverty.

TABLE 1 1.—ECONOMIC CONDITIONS FOR THE KENNEDY-JOHNSON ADMINISTRATION

| Indicator | Principal economic indicators | |
|---|---|---|
| | Beginning of administration, 1961 | End of administration, 1964 |
| Unemployment (percent) | 6.7 | 5.2 |
| Inflation (percent) | 1.0 | 1.3 |
| Gross national product (billions of 1972 dollars) | 756.6 | 876.4 |
| Government surplus/deficit (billions of dollars) | −3.4 | −5.9 |

Source: U.S. President. Economic report of the President. U.S. Government Printing Office, Washington, 1984.

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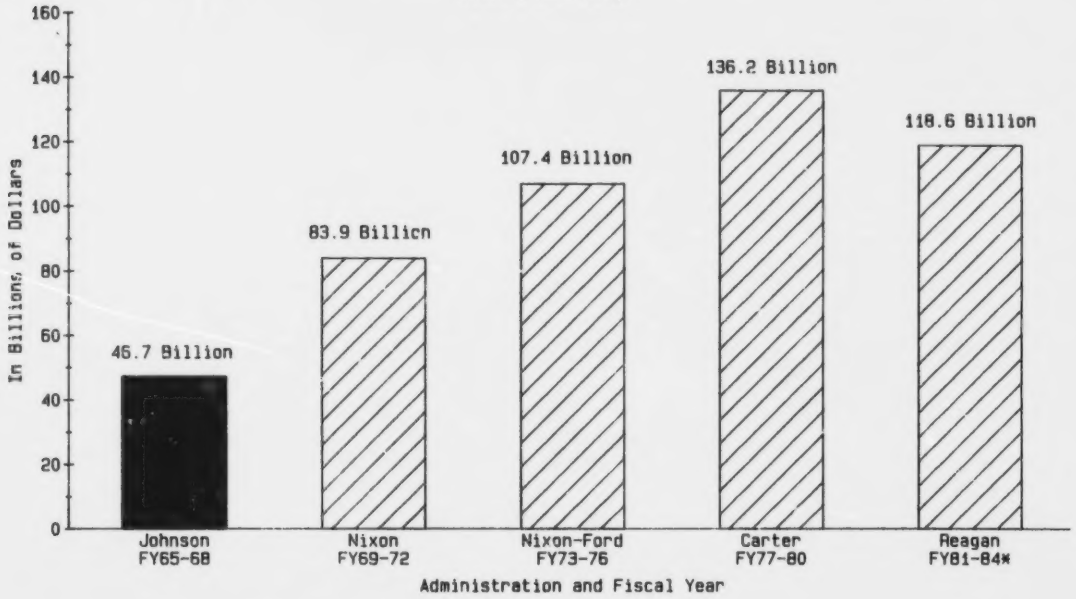
FIGURE 1.1: Total Urban-Related Federal Outlays in Grants-in-Aid, by Administration, 1965-1983

(1972 $ Thousands)




* FY84 assumed equal to FY83.

Source: See the Methodological Appendix.



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They were interested in full employment and rapid growth and considered full employment to exist at any level less than 4 percent unemployment. They believed that growth would be sustained by high demand, and that business would invest in capital expansion only if the economy was positive. The Government would run a budget surplus if the economy was at high employment. The surplus would add to the supply of savings available for private investment, keep interest rates down, and stimulate growth by its favorable effect on investment, and offset any existing deficit incurred in the prior period of low growth or recession. Keynesian policy called for enlarged Government investment in education, training, and worker mobility.[4]

The Kennedy administration became committed to a policy of fiscal expansion. Tax reductions came late in the first term due to the Federal deficit inherited from the prior administration. They were concerned that major spending initiatives might lead to inflation.[5]

The Kennedy administration did not initially view tax reduction as an option to enhance employment, saving, and investment. They believed people would spend any new disposable income resulting from a decrease in taxes, rather than saving or investing it. Their strategy for economic rejuvenation emphasized Government expenditures on beneficial programs. During this administration, the Government called for voluntary price and wage controls. Business leaders cited the irresponsible behavior of labor unions as the major cause of inflation, and pleaded for Government leadership to control this behavior. They wanted the Government to intervene in wage determination but not in price determination. Free market economists counseled against any intervention at all. When one of the big industries raised its prices, the Government threatened them, and business capitulated, with the result that the big business community was furious with the administration.[6]

This controversy increased the appeal of pursuing recovery by the more conservative route of tax reduction than by fighting for costly new programs. When a tax reduction was ultimately implemented in 1964, business was cooperative in restraining prices, and the Kennedy economists termed this a full employment budget. Although Federal budgetary deficits were incurred, surpluses would have been generated if employment loss occurred after the tax cut was made. Hence the tax cut was defended as a way to balance the budget. The tax cut was proposed in 1962, but was not enacted until 1964, after President Kennedy's death. It was the largest tax cut in history, amounting to 2 percent of the gross national product or $14 billion.[7]

Future Republican administrations concurred in this Kennedy tax cut, asserting that it raised national income, increased total output, and reduced unemployment. Tax reduction, they said, increases disposable income in the hands of taxpayers—individuals and businesses—who spend more. Increased expenditures generate increases in real output and employment. This is not a supply side argument, but it is similar.

The economy advanced. Total spending, total real output, and total employment all rose after the tax cut, and unemployment fell. The tax cut was a clear success.

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### KENNEDY'S UNIQUE CONTRIBUTIONS TO THE CITIES

The Housing Act of 1961 expanded the categories of housing loans eligible for Federal Housing Authority mortgage insurance, including coverage of housing for moderate income families. The act also authorized loans and demonstration grants to States and to local governments for mass transportation facilities. (See: Housing Act of 1961. Public Law 87-70, 87th Congress, S1922. June 30, 1961.)

#### THE JOHNSON PHILOSOPHY

"We stand at the edge of the greatest era in the life of any nation. For the first time in world history, we have the abundance and the ability to free every man from hopeless want, and to free every person to find fulfillment in the work of his mind or the labor of his hands.

"Even the greatest of all past civilizations existed on the exploitation of the misery of the many.

"This nation, this people, this generation has man's first choice to create a Great Society; a society of success without squalor, beauty without barrenness, works of genius without the wretchedness of poverty. We can open the door of learning. We can open the door of fruitful labor and rewarding leisure, of open opportunity and close community—not just the privileged few but of everyone." [8]—LYNDON B. JOHNSON, June 26, 1964.

These comments best express Lyndon Johnson's philosophy and his outlook on the Great Society programs.

President Johnson came to office fully conditioned by his many years in the Senate and the experience of the Great Depression. He had felt that the Kennedy tax cut had affected more of the middle class and upper income people, and he wanted to address the problems of the poor. A like minded former President, Franklin Roosevelt, had been his hero and mentor. With his background, Lyndon Johnson was determined to make the struggle against poverty a hallmark of his Presidency at a time when public concern with poverty was also rising.

President Johnson set out to increase social expenditures aimed at eradicating poverty in developing a "war on poverty." His early legislative success contributed greatly to his 1964 landslide victory, when he brought into office a large number of Democratic Senators and Congressmen who owed their position to the effectiveness of his campaign. President Johnson's war on poverty idea had actually been formulated in the Kennedy administration, but had been assigned low priority at first. It was mainly an economic goal set by Kennedy economists to revitalize the economy, reducing unemployment, and increasing education and training to enhance the productivity of the disadvantaged. At the point of his assassination, President Kennedy was beginning to mount a direct attack on the problems of the poor, and as Johnson felt deeply about the poor, he vigorously continued and expanded the effort. He was concerned for the little people of America who yearned for increased opportunities to achieve their career potentials. His own childhood of poverty lived during the pre-Depression years left him with a deep sense of compassion and this had been augmented during his time spent as a teacher in the remote areas of Texas. Later, he watched Roosevelt redirect the country with bold leadership and programs.

Johnson's apparent dream was to shape a "Great Society" where each American would have equal opportunity to succeed. Thus, he

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declared a "War on Poverty." Johnson also inherited the Vietnam conflict and was determined not to be the first American President to preside over a losing war. Against many of his advisers' recommendations, President Johnson expanded and intensified the war, an action that was to becloud the domestic war on poverty.

## The State of the Economy During the Johnson Years

Johnson needed to continue the Kennedy approach to the economy, which was beginning to show some success. His plan was to finance his war on poverty from the increasing flow of revenue anticipated from the growth of the economy. The money, his advisers argued, had to be returned to the economy in more spending, less taxes, or the economy would be depressed by a deficiency in consumer spending. The increase in the rate of economic growth after the 1964 tax cut went into effect resulted largely from growth in the number of persons employed.[9] The economy advanced at a normal rate and not as rapidly as had been expected.

The country could afford new programs at first, but a major source of the money to pay for the programs came from inflation. This was mainly due to the Vietnam war, which by mid-1966 was dominating the economy.[10] President Johnson tenaciously believed that we could have both "guns and butter" in solving our economic problems—war abroad and Great Society programs at home. As the economic drain of the Vietnam war escalated, it became apparent that he was wrong; the economy started to substantially weaken, and Johnson initiated small budget cuts in an effort to firm it up.

Prior to the domination of the economy by the war, social programs cost approximately $30 billion, or 4.5 percent of the gross national product. With the growth of these programs and the additional cost of inflation, the programs rose in cost. The presence of some antipoverty programs stimulated the demand for others. However, the demand did not result in a major expansion of antipoverty programs because defense spending became the predominant factor in the Federal budget. The administration was reluctant to raise taxes or to adopt a restrictive anti-inflation policy because to do so would have required the abandonment of many of the efforts to which it was deeply committed—most particularly, the Great Society programs and the Vietnam war—though there was growing opposition to both. Vietnam expenditures began to cause budget deficits in the years between 1965 and 1968, but Johnson was reluctant to raise taxes, and he did not want Congress to cut either program.

TABLE 1.2.—ECONOMIC CONDITIONS FOR THE JOHNSON ADMINISTRATION

| Indicator | Principal economic indicators | |
|---|---|---|
| | Beginning of administration, 1965 | End of administration, 1968 |
| Unemployment (percent) | 4.4 | 3.5 |
| Inflation (percent) | 1.7 | 4.2 |
| Gross national product (billions of 1972 dollars) | 929.3 | 1,058.1 |
| Government surplus/deficit (billions of dollars) | -1.6 | -25.2 |

Source: U.S. President. Economic report of the President. U.S. Government Printing Office, Washington, 1984.

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In 1968, however, after declaring himself a noncandidate for reelection, he raised taxes.[11] Furthermore, the Johnson administration started to fight inflation with voluntary price and wage controls. These anti-inflation measures were introduced reluctantly and only in response to the persistence of the problem.[12] The continuing massive military expenditures in Vietnam seemed to conflict with the domestic policy commitment to building a Great Society.

### JOHNSON'S WAR ON POVERTY

President Johnson's war on poverty and legislative initiatives were focused in a package called the Economic Opportunity Act, passed in 1964.[13] He addressed a joint session of Congress and called for a "Great Society," stating that ". . . if we are ever to be a great nation, we have to make this country great for all."[14] His Rooseveltian programs took the following form, with the goals noted in parentheses:

*Work Incentive Program* (reduce welfare dependency)—special work project designed to get women off of welfare.

*Job Corps* (reduce youth unemployment)—residential vocational training centers for young people aged 16 to 21 who were out of school and out of work.

*Neighborhood Youth Corps* (reduce youth unemployment)—designed to provide work experience for young people 16 to 21 in or out of school.

*Community Action Program* (encourage community self-help and development)—mobilized community resources to combat poverty through community economic and social development programs.

*Head Start* (enhance preschool education)—designed to prepare disadvantaged young people in preschool for positive experiences in the educational process.

*Elementary and Secondary Education Act Title I and II* (enhance the education of the disadvantaged)—designed for disadvantaged children to gain through remedial efforts and work study.

*Adult Basic Education* (reduce adult illiteracy)—designed to open the way to progress for people who obtain 18 years of age and have difficulty obtaining jobs due to lack of literacy.

*Assistance to Migrants and Seasonal Employees* (enhance the migrant workers' life style)—designed to develop and implement programs to migrant and seasonal workers.

*Volunteers in Service to America [Vista]*—(encourage the advantaged persons to assist the poor) designed to provide trained volunteers interested in combating the problems of rural poverty.

*Economic Development Grants* (enhance the economic resources of a geographic area)—to provide economic growth and development in a given geographic area or region.[15]

*Appalachian Rural Poverty* (enhance the economic and social growth of the Appalachian region)—to raise and maintain the income and living standards of low-income rural families.

Each of these programs was administered through State and local governments.

It should also be noted that the civil disorders spawned by black Americans and others in many central cities started in 1964. In re-

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sponse to these disturbances the first major outlays for public safety were generated in 1967, providing additional funds to urban centers for retraining and developing urban police manpower and for acquiring additional police weapons and other hardware.

However, overall outlays in the eight program areas of housing, transportation, public safety, employment, environment, economic development and opportunity, education, and health and welfare, really reflect the Great Society programs. There were some $3 billion spent in these program areas in the Johnson/Humphrey administration.

### JOHNSON'S UNIQUE CONTRIBUTION TO THE CITIES

*Urban Mass Transportation Act of 1964.*—Authorized grants and loans to States and localities to assist in the financing of urban transportation facilities.

*Department of Housing and Urban Development Act of 1965.*—Established the Cabinet level Department of Housing and Urban Development consolidating all Federal housing agencies.

*Housing and Urban Development Act of 1965.*—Authorized Federal rent supplement payments to low-income families; provided rehabilitation grants for owners of substantial housing in urban renewal areas; extended to handicapped families all special provisions relating to public housing which were currently available to the elderly; authorized grants to municipalities and countries for code enforcement in deteriorating areas; increased the proportion of urban renewal capital grant authorization allowed for nonresidential projects; authorized grants to local public agencies to assist in financing basic water and sewer facilities and neighborhood health, recreation and community service centers; authorized grants to States and localities for urban beautification.

*Demonstration Cities and Metropolitan Development Act of 1966.*—This act provided grants and technical assistance to help communities plan and carry out *Model Cities* programs for the purpose of rebuilding or revitalizing entire blighted neighborhoods. It also provided urban aid grants to supplement existing Federal aid in areas where all public and private development is consistent with grants to assist States and localities in preserving the historic and architectural value of urban areas. It also established urban information and technical assistance services.

The following is a table showing Federal funding outlays for grant-in-aid to the States for urban-oriented programs from 1964 through 1968.

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## TABLE 1.3.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, JOHNSON ADMINISTRATION, FISCAL YEARS 1965–68 [1]

[In thousands of current dollars]

| | 1965 | 1964–65 actual increase (decrease) | 1964–65 percent increase (decrease) | 1966 | 1965–66 actual increase (decrease) | 1965–66 percent increase (decrease) | 1967 | 1966–67 actual increase (decrease) | 1966–67 percent increase (decrease) | 1968 | 1967–68 actual increase (decrease) | 1967–68 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 521,701 | 107,070 | 25.8 | 585,420 | 63,719 | 12.2 | 708,058 | 122,638 | 17.3 | 936,012 | 227,954 | 32.2 | 2,751,191 |
| Transportation | | | | | | | 22,915 | 22,915 | 100.0 | 38,933 | 16,018 | 69.9 | 61,848 |
| Public safety | | | | | | | 2,634 | 2,634 | 100.0 | 4,105 | 1,471 | 55.8 | 6,739 |
| Employment | 22,549 | 22,549 | 100.0 | 21,998 | (551) | (2.4) | 23,816 | 1,818 | 7.6 | 75,630 | 51,814 | 217.6 | 143,993 |
| Environment | | | | | | | 96,979 | 96,979 | 100.0 | 132,460 | 35,421 | 36.6 | 229,439 |
| Economic development and opportunity | 114,967 | 114,967 | 100.0 | 667,794 | 552,827 | 480.9 | 1,096,892 | 429,098 | 39.1 | 1,533,666 | 436,774 | 39.8 | 3,413,319 |
| Education | 502,678 | 131,049 | 35.3 | 1,383,711 | 881,033 | 175.3 | 2,142,758 | 759,047 | 35.4 | 2,744,388 | 601,630 | 28.1 | 6,773,535 |
| Health and welfare | 3,620,235 | 174,043 | 5.1 | 4,154,992 | 534,757 | 14.8 | 4,904,033 | 749,041 | 15.3 | 6,513,472 | 1,609,439 | 32.8 | 19,192,732 |
| Total | 4,782,130 | 549,678 | 13.0 | 6,813,915 | 2,031,785 | 42.5 | 8,998,085 | 2,184,170 | 24.3 | 11,978,666 | 2,980,581 | 33.1 | 32,572,796 |

[1] Please see the Methodological Appendix for details concerning the derivation of this table



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*Housing and Urban Development Act of 1968.*—Established a home ownership assistance program for low- and moderate-income families. Established a new program of Federal Housing Authority home mortgage insurance available to low-income families, and authorized a new program of financial assistance to local public agencies for neighborhood development program under which urban renewal program would be planned and carried out on an annual basis. Established a program to reinsure insurance companies against property losses resulting from riot or crime disorder. Stated the national housing goal of "a decent home" for every American family to be substantially achieved within 10 years by the construction or rehabilitation of 26 million units, 6 million of which would be for low- or moderate-income families.

Johnson developed a comprehensive approach toward building his great society.

ANALYSIS OF FEDERAL GRANTS-IN-AID OUTLAYS 1965–68

*Housing*

In the previous table, we see that there was a 12-percent increase in housing grants between fiscal years 1965 and 1966. However, there was only a 17-percent increase between fiscal years 1966 and 1967, and a 32-percent increase between 1967 and 1968. Overall there were expenditures of $2.7 billion.

*Transportation*

There was a 100-percent increase in fiscal year 1967 compared to fiscal year 1966, and a 69.9-percent increase in 1968. The total for the Johnson period was $61.8 million in transportation grants principally aimed at urban areas.

*Public safety*

In fiscal years 1965 and 1966 there were no outlays in public safety grants-in-aid to the States. Only $2.6 million was spent in 1967, and $4.1 million in 1968, representing an increase of 55 percent in 2 years. Total outlays for the period were $6.7 million. As noted earlier, these expenditures were initially related to urban disorders.

*Employment*

In fiscal 1965 $22.5 million was spent, against $21.9 million in 1966, representing a 2.4-percent decrease. In 1967 $23.8 million was spent, a 7.6-percent increase from the previous year. This change was related to the Vietnam military build up the previous year. However, in 1968 the amount rose to $75.6 million, a $51.8 million—or 217 percent—increase. Total outlays for employment programs were $143.9 million during the Johnson years.

*Environment*

In fiscal 1965 environmental outlays were $5.2 million while in 1966 the amount fell to $5 million, representing a 4-percent decline. In fiscal 1967 it rose to $96.9 million for a fourfold increase, and it went up another 36 percent to $132.4 million in 1968. The

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total for the 4 years of the Johnson administration was $229 million.

Environmental issues took on more importance during this period, though the rate of increase in these budgetary categories was greatly reduced because of expenditures for the war.

*Economic development and opportunity*

In fiscal 1965 $114.9 million was spent in economic development and opportunity programs. In 1966 the amount increased to $667.7 million—nearly a 500-percent gain, and in 1967 outlays were $1.1 billion, a further 39-percent increase. In 1968 it went to $1.5 billion, for a 39-percent gain. Total outlays in 4 years of the Johnson administration in this area, cornerstone of the Great Society programs were $3.4 billion.

TABLE 1.4.—FEDERAL RECEIPTS AND FEDERAL OUTLAYS FOR URBAN-RELATED PROGRAMS 1965–68

[Dollar amounts in billions]

| Year | Federal receipts | Federal outlays for urban-related programs | Percent of Federal receipts |
|---|---|---|---|
| 1965 | $120.5 | $4.7 | 8.1 |
| 1966 | 132.8 | 6.8 | 2.8 |
| 1967 | 147.2 | 8.9 | 3.3 |
| 1968 | 160.6 | 11.9 | 4.7 |
| Total | 561.1 | 32.3 | 4.5 |

Note.—Federal receipts totalled more than $560 billion during the 1965–68 years of the Johnson administration. Nearly $32.5 billion of this was dispensed in Federal grants-in-aid to the States.

*Education*

In fiscal 1965 grants-in-aid to the States for educational programs totaled $502 million. In 1966 the total rose to $1.3 billion for a 175-percent increase. The modest growth was directly related to the buildup in the Vietnam war. In 1967 expenditures were $2.1 billion, a 35-percent increase. However, in 1968 they were $2.7 billion, representing a 28-percent increase. Overall in the 4 years of the Johnson administration outlays were $6.7 billion in this important program area.

*Health and welfare programs*

In fiscal 1965 health related outlays were some $3.6 billion; however, in 1966 they rose to $4.1 billion for a 14-percent increase. In 1967 there was a further 15-percent increase to $4.9 billion. This modest increase could be attributed to the build up in the Asian war. In 1968, however, health outlays were up to $6.5 billion, an increase of more than 32 percent. Total outlays for the 4 years were $9.1 billion.

*Summary analyses*

The eight indices of urban grant-in-aid funding during the Johnson administration totaled $32.5 billion.

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## The Consequences of Federal Aid 1964-68

Johnson's Presidential initiatives diminished poverty in American urban centers. In an article in the *Washington Post* on Sunday, May 6, 1984, Spencer Rich stated ". . . that substantial progress has been made during the last 23 years in reducing poverty."[16] And this was in agreement with a report that David Stockman, President Reagan's Budget Director, had generated.[17]

Census Bureau data support this analysis, and indicate that the official poverty rate stood at 22.4 percent in 1959, 3 years before the publication of Michael Harrington's book, *The Other America*, which described American poverty.[18] The percentage of Americans living below the official poverty line dropped rapidly during the 1960's. In 1965, it had fallen to 17.3 percent and hovered between 11 percent and 12 percent by the beginning of the 1970's. Thus, we see that within a 10-year period, the poverty rate declined—moved from 22.4 percent to close to 11 or 12 percent.[18] It has been on the rise again since 1980.

Many urban communities developed new organizations dealing with community action and sundry self-help programs. These programs were funded by various Federal agencies. They fostered hope and potential social mobility for the poor, though these have diminished in recent years.

The Federal Government provided $32.5 billion during the Johnson administration in eight key program areas in the study. Among other things, these services provided additional workers for existing programs, training to Job Corps participants or Head Start programs, child care, and direct training in Youth Corps programs. They also stimulated a whole host of positive innovative activities within local "grassroots" communities. Though important to many Americans living in big cities, the benefits of these programs have often been obscured by negative reports in newspaper and television accounts.

These programs played an especially strong role in minority communities, which characteristically had a preponderance of persons at the bottom of the social ladder.[20] Minorities were given opportunities which they otherwise would not have had, enabling them to enhance their social mobility and to eventually pull themselves out of poverty. Guaranteed student loans and other programs aimed at the middle class also enhanced minority social mobility and higher education opportunities. Food stamps and other programs aimed at children provided them with more adequate nutrition and greatly improved the overall health of impoverished youngsters. School lunch programs expanded; and as a result, young people were eating more balanced meals. Data recently published by the Congressional Research Service estimate that one-quarter of the entire population of the United States would have fallen into poverty had it not been for Government support programs.[21] That would have totaled 58 million people. David Stockman, the Budget Director at the time of this study, has indicated that 55 percent of the Nation's elderly would be living below the poverty line in the absence of Federal retirement benefits. But if the value of noncash benefits—such as food stamps, housing aid, and medical insurances—have grown through the years, it is indicative that they provide substan-

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tial real benefits to their recipients. *If all government programs for all ages were terminated, ". . . there would be a lot of starvation, a lot of people would be willing to accept extreme menial jobs and a lot of people would be living together."* [22] According to Henry Aaron, an economist at the Brookings Institution and a former Assistant Secretary in the Department of Health, Education and Welfare in the Carter administration, ". . . Medicare plays a role in improving the health of the aged." Without Medicare, we would see the death rate go up considerably. For instance, Medicare treats the elderly for high blood pressure. Since the advent of Medicare, blacks, who tend to suffer more than others from this malady, are being treated by physicians. Many more persons are also being treated for cataract operations, cancer surgery, and pneumonia; and other therapies that were often unavailable to elderly persons of limited means are also more widely available to them. Such life preserving or life enhancing medical services are being made available not just to blacks, but for many other older people who could not previously obtain them.[23]

In Appalachia, where many people had long been denied, Federal dollars were poured into urban centers and States on a regional basis, providing new opportunities for some of the poorest Americans.[24] Such aid was also provided in other areas of the Nation, using a variety of institutional delivery routes.

The intangibles of these social dynamics are difficult to quantify: the hope, the feeling of life enhancement, the feeling of direction. When the "Great Society" programs were phased out in the Nixon administration, the absence of these programs meant the eventual resurgence of poverty, misery, and sickness in the future for many Americans. (See poverty table.) Whatever the cost of these programs, their consequences far outweigh the dollars involved. In essence, the "Great Society" programs really did lay the foundation for a great society. Had they been allowed to continue, no one knows how they really may have developed? Americans were beginning to demonstrate a real interest in repairing and recycling American cities, making them more livable by contributing to their growth and development. The resurgence of model cities and neighborhood development, the Columbia new town, the Harbor Square development in Baltimore, the Logan Circle development in Boston, and significant urban rejuvenation in New Haven, CT—all of these were offshoots of that era in which a partnership between the Federal and private sectors began to rebuild the cities. This was the achievement and legacy of the Kennedy and Johnson administrations in Federal domestic policy.

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## CHAPTER 2: THE NIXON-AGNEW YEARS, 1968–72

### The Nixon Philosophy

In 1969 there was turmoil in the country because of the Vietnam war and problems related to the growing opposition to it. So volatile was public opinion for and against the war that massive civil demonstrations and rioting on college campuses and in the national capital became commonplace.

President Johnson decided not to seek a second term. His Vice President, Hubert Humphrey, ran for office and lost by a narrow margin to the Republican, Richard Nixon, who had been Eisenhower's Vice President.

It would have been a difficult time for any President to assume office. In the spring before the 1968 elections, civil rights leader Martin Luther King, Jr., had been assassinated, fomenting mass civil disorders and further polarizing the races. Then Senator Robert F. Kennedy was assassinated after winning the California Presidential primary, which brought more turmoil to the Nation.

When President Richard M. Nixon came into office in January 1969, it was time for action, and a time for a new national direction. Mr. Nixon's campaign theme was to stop waste and fraud in the expanded Government, and to eliminate the war on poverty and its unnecessary expenditures. Though elected by a narrow margin, he set out to do what he promised. He eliminated the Office of Economic Opportunity and put a freeze on most domestic program funds. This thrust was to be successfully parried in court by Congress, with the enactment of legislation proscribing such action.

Nixon's approach to the problems of poverty and unemployment was to assert that individual sloth, and not systemic economic dislocation, is the underlying cause of welfare dependency. His approach to assisting the cities was different from Johnson's. He believed in revenue sharing and corollary formulations which he called the New Federalism. Revenue sharing procedures provide that a proportion of the tax dollars coming into the Federal coffers from the States must be returned to them in the form of block grants for their programmatic use with minimal restrictions. He opposed the public works and employment training programs of the Johnson administration. He pronounced that the war on poverty had failed, deploring the grass roots participation of the poor in parasocial community development organizations. His philosophy reflected a new ideology.[25] He favored small business development, including minority business development, and coined the term "black capitalism."

President Nixon set out initially to escalate the Vietnam war but because of continuing domestic turmoil, ultimately undertook peace initiatives which ended the conflict. Yet his philosophy did



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not permit him to shift from defense outlays to funding domestic programs for urban centers.

Cities did not receive the type of assistance necessary to continue their rebuilding under the Nixon administration. But the approach was not radical: President Nixon did not abruptly cut expenditures, but gradually phased down budgets as he continued in office.

## The State of the Economy

President Nixon was not totally committed to the ultimate conservative fiscal trend (so-called supply side economics), but was an adherent of the monetarist approach espoused by economist Milton Friedman and others as the best way to manage the economy. By controlling the money supply, using the Federal Reserve, inflation and unemployment could be adequately controlled without resorting to more strident Federal intervention strategies that would disrupt the natural market forces of a capitalist economy.

Though an advocate of a free market economy, Mr. Nixon was not really a strong supporter of big business. He did not believe that big business liked him and thought that it had supported his more liberal opponents within the Republican Party.[26] Further, he did not support the decreases in taxation which have been the battle cry of the Reagan Republicans. He believed that big business always had the opportunity to avoid maximum taxation by procuring the services of competent tax lawyers and expert accountants.

When Mr. Nixon took office in 1969, he was concerned with rising Government expenditures, both in Vietnam and in the domestic war on poverty. That concern expressed itself in his efforts to scale down the war on poverty, because he believed these programs created dependency, family disintegration, idleness, and hostility, and fostered the development of radical parasocial organizations inconsistent with the American tradition. He disagreed strongly with the rationale that Johnson used for the creation of social programs. He thought that the strategies embodied in these programs had been successful in the 1930's under Roosevelt, but had not worked under Johnson. In that respect what he represented resonated with the conservative philosophy.

TABLE 2.1.—ECONOMIC CONDITIONS FOR THE NIXON ADMINISTRATION

| Indicator | Principal economic indicators | |
|---|---|---|
| | Beginning of administration, 1969 | End of administration, 1972 |
| Unemployment (percent) | 3.4 | 5.5 |
| Inflation (percent) | 5.4 | 3.3 |
| Gross national product (billions of 1972 dollars) | 1,087.6 | 1,185.9 |
| Government surplus/deficit (billions of dollars) | +3.2 | −23.4 |

Source: U.S. President. Economic report of the President. U.S. Government Printing Office, Washington, 1984.

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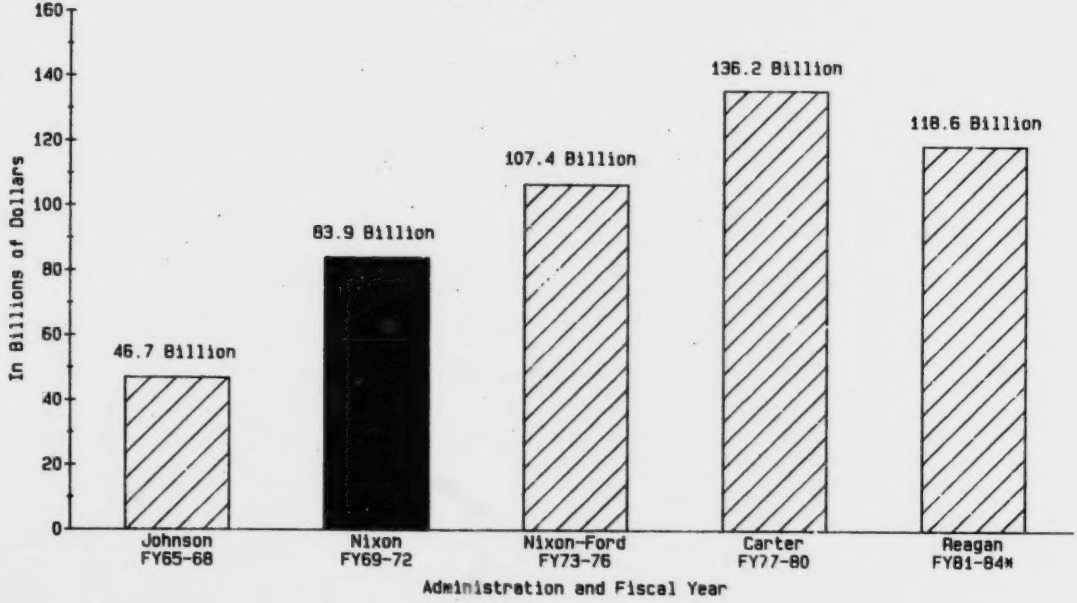
FIGURE 2.1: Total Urban-Related Federal Outlays in Grants-in-Aid, by Administration, 1965-1983

(1972 $ thousands)




* FY84 assumed equal to FY83.

Source: See Methodological Appendix.

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He was not an economic theorist, although he understood economic theory and used it to good advantage in his public utterances. He was deeply concerned with unemployment. Though inflation was a problem, his emphasis was on how to get the unemployment rate down and how to keep it down, so he continued on the offensive.[27] His disillusionment with Government social programs was growing, and his established bias toward these programs would not permit him to entertain the notion of augmenting them. He was concerned with fine tuning the Government and realigning the former Keynesian management of the economy with a new economic policy. President Nixon was a somewhat moderate conservative, and members of his White House staff reflected this outlook.

There was an outcry from social reformers and those Keynesian managers who felt that Johnson had been on the right track in his efforts to assist the poor, and that we had to continue the Great Society efforts.

When Richard Nixon came into office the unemployment rate was 3.5 percent.[28] His Council of Economic Advisers accepted the conventional wisdom that 4 percent constituted effective full employment. However, it should be mentioned that with the best instruments available at that time, the unemployment rate still did not reflect the true unemployment rate in many urban centers; it only reflected those who were registering for unemployment compensation or looking for jobs.

One of the most positive aspects of the Nixon administration's concern about inflation and unemployment was their direction of Government intervention in the price and wage controls system implemented from 1970 to 1971.[29] The new economic policies prevented unions from demanding large wage increases without Government review, while requiring approvals for higher prices for industry products. If a Democrat had proposed such a combination of policies, he would have been called a socialist. However, donning the mantle of conservatism and the Friedman philosophy of Government nonintervention, Mr. Nixon was able to successfully implement this package. Voluntary price and wage controls were the Nixon version of the free market alternative, and constituted his approach to the twin problems of inflation and rising unemployment, which he dreaded.

The concern for balancing the budget at a high rate of unemployment, an essential feature of the monetarist approach, left Mr. Nixon somewhat ambivalent. He did not enter office with a majority of his own party in either House.[30] In fact, he was the first President in the 20th century to be in this position. The limited movement of his administration toward conservative economics reflected Mr. Nixon's ambivalence toward conservative theory, as well as his relatively weak legislative position. He understood that faulty economic theory could hobble or ruin his administration. In his earlier experience as an aide in the Office of Price Administration, he had witnessed the consequences of the application of what he viewed as inappropriate economic theories, and did not want to be responsible for a similar debacle. Yet he was still haunted by the inflation/unemployment problem and had to find a workable approach to the achievement of price stability, and he was aware

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that he had won election by a very thin margin and confronted opposing majorities in both Houses of Congress.[31]

By 1970, with the economy falling into recession, budget deficits climbing, military expenditures for Vietnam and Cambodia escalating, high unemployment becoming a reality, there was a need for Mr. Nixon to entertain dramatic policy alternatives so liberal in cast that only a Republican could successfully implement them.[32]

It was in this context that Mr. Nixon departed from his Council of Economic Advisers and other high-ranking Presidential aides, and hired John Connally as Secretary of the Treasury. Together they started making new policy to meet the evolving crisis. Connally, a former Democrat known for his involvement in the Kennedy administration, was able to suggest positive new steps to Mr. Nixon, and balancing the Federal budget became a priority.

Price controls became mandatory rather than voluntary. The hope was that full employment would enhance productivity and strengthen the growth rate of the gross national product. Thus, Nixon led the first recent administration to depart from the Keynesian philosophy, yet his administration was more moderate and consistent in its approach than pure monetarists would have been. They blended theoretical aspects of the Keynesian philosophy with some of the principles of Friedman's monetarist theory to form the Nixon economic strategy.

Nixon's relationship with the Nation's urban centers and their problems can best be understood against this background. Scaling down the programs of the war on poverty was a major achievement for him. Cuts in funding for urban programs were made palatable to State governments by removing many of the restrictions on the intra-State allocation of the remaining funds in the new Nixon practice of returning Federal revenues to the States, the New Federalism block grant policy initiative. In the process the cities experienced net losses in revenues from the Federal Government, though they had more freedom in how they used the money. They were painfully aware of the loss. Yet it must be recognized that President Nixon created the Urban Affairs Council, the culmination of a long-term effort to create a focal point for the development of a national urban policy.

## Nixon's Unique Contribution to the Cities

There were several significant pieces of urban legislation passed during the Nixon era. They were the following:

*Housing and Urban Development Act of 1969.*—Required that for each slum home raised as part of an urban renewal project, a new low-income unit must be built limiting public housing rent to 25 percent of a tenant's income and permitting very low-income tenants to be charged less.

*Housing and Urban Development Act of 1970.*—Declared a national urban growth policy for the United States; provided that the President make a biennial report to Congress on national urban growth, increased assistance to new towns; and provided crime insurance where available at a reasonable rate.

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*Urban Mass Transportation Assistance Act of 1970.*—Authorized grants and loans to State and local governments for urban mass transportation.

*Emergency Home Finance Act of 1970.*—Authorized appropriations for the Federal Home Loan Board to provide additional funds for the home mortgage market.

*Commission on Population Growth and American Future of 1970.*—Studied the impact of population growth on all facets of American life. It concerned itself with the continued decline of central cuts, rapid and unanticipated suburban growth, the fragmented nature of Federal assistance to local communities. It endorsed national urban growth policy.

*State and Local Fiscal Assistance Act of 1972.*—Created the General Revenue Sharing Program of moneys flowing back to the States.

*Comprehensive Employment and Training Act of 1974.*—Consolidated 13 manpower and training categorical programs.

*Title I of the Housing and Community Development Act of 1974.*—Consolidated seven categorical community development programs into the Community Development Block Grant Program.

The qualitative aspects of these legislative achievements focused on urban areas though its method for solving the problem was more indirect.

### Analysis of Federal Grants-in-Aid Outlays, 1969–72

In 1969 a total of $13.4 billion was spent in the eight categories of Federal grants-in-aid outlays, representing a 12-percent increase since 1968.

The following is a table showing Federal funding outlays for grant-in-aid to the States for urban-oriented programs from 1969 through 1972.

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## TABLE 2.2.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, NIXON ADMINISTRATION, FISCAL YEARS 1969–72 [1]

[In thousands of current dollars]

| | 1969 | 1968–69 actual increase (decrease) | 1968–69 percent increase (decrease) | 1970 | 1969–70 actual increase (decrease) | 1969–70 percent increase (decrease) | 1971 | 1970–71 actual increase (decrease) | 1970–71 percent increase (decrease) | 1972 | 1971–72 actual increase (decrease) | 1971–72 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 1,055,438 | 119,426 | 12.8 | 1,788,132 | 732,694 | 69.4 | 2,141,070 | 352,938 | 48.2 | 2,733,328 | 592,258 | 27.7 | 7,717,968 |
| Transportation | 158,426 | 119,493 | 306.9 | 115,377 | (43,049) | (27.2) | 162,450 | 47,073 | (109.3) | 213,651 | 51,201 | 31.5 | 649,904 |
| Public safety | 28,446 | 24,341 | 593.0 | 40,356 | 11,910 | 41.9 | 195,974 | 155,618 | 1,306.6 | 323,204 | 127,230 | 64.9 | 587,980 |
| Employment | 412,300 | 336,670 | 445.2 | 694,363 | 282,063 | 68.4 | 1,055,338 | 360,975 | 128.0 | 1,157,817 | 102,479 | 9.7 | 3,319,818 |
| Environment | 160,658 | 28,198 | 21.3 | 209,970 | 49,312 | 30.7 | 478,366 | 268,396 | 544.3 | 413,408 | (64,958) | (13.6) | 1,262,402 |
| Economic development and opportunity | 1,564,125 | 30,459 | 2.0 | 1,719,425 | 155,300 | 9.9 | 1,293,004 | (426,421) | (274.6) | 1,115,603 | (177,401) | (13.7) | 5,692,157 |
| Education | 2,517,982 | (226,406) | (8.2) | 2,832,134 | 314,152 | 12.5 | 3,239,011 | 406,877 | 129.5 | 3,697,997 | 458,986 | 14.2 | 12,287,124 |
| Health and welfare | 7,597,454 | 1,083,982 | 16.6 | 9,104,159 | 1,506,705 | 19.8 | 11,334,096 | 2,229,937 | 148.0 | 15,414,469 | 4,080,373 | 36.0 | 43,450,178 |
| Total | 13,494,829 | 1,516,163 | 12.7 | 16,503,916 | 3,009,087 | 22.3 | 19,899,309 | 3,395,393 | 112.8 | 25,069,477 | 5,170,168 | 27.7 | 74,967,531 |

[1] Please see the Methodological Appendix for details concerning the derivation of this table.



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*Housing*

There was $1 billion spent on housing programs in 1969, representing a 12-percent increase over 1968. In 1970 nearly $1.7 billion was spent for a 69-percent increase, and in 1971 housing programs totaled more than $2.1 billion which was a 48-percent increase, and in 1972 the amount was $2.5 billion which, was a 7-percent increase. The total spent on housing grants-in-aid in the first Nixon term was $7.7 billion.

*Transportation*

In 1969 there was an outlay of nearly $158 million for transportation programs, which was $119 million (or 306 percent) higher than in 1968. In 1970 the outlay was about $115 million for a 27-percent decrease. In 1971 the outlay was $162 million, up $47 million for a 109-percent increase from the previous year. In 1972 outlays were $213 million to $288 million representing a 31-percent increase. The total 4-year grants-in-aid outlay for transportation were approximately $649 million.

*Public safety*

In 1969 the Nixon administration increased Federal grants-in-aid to the States for public safety nearly sixfold to a total of $28 million. In 1970 there was a further 42-percent increase to a new total of more than $40 million. In 1971 there was a $196 million allocation for public safety representing a 1,003-percent increase, and in 1972 it was again increased dramatically—this time by 64 percent to more than $323 million. The total for 4 years was more than half a billion dollars—$587 million. This was a reaction to the student uprisings and the riots.

*Employment*

In 1969 there was nearly one-half a total of $412 million spent in grant-in-aid outlays to the local areas for urban-related programs in employment, representing a 445-percent increase over 1968. In 1970 outlays were increased substantially to $694 million. In 1971 the amount increased to over $1 billion for a $128 million increase, and in 1972 to over $1.1 billion for a 9-percent increase. The total for 4 years was nearly $3.3 billion.

*Environment*

In 1969 outlays for grants-in-aid to the States and local areas for environmental programs were approximately $160 million, an increase of 21 percent over 1968. In 1970 there was a 30-percent increase to a total of $209 million. In 1971 there was a quantum jump from this amount to approximately $480 million for a 544-percent increase. In 1972 there was a 13-percent decline to about $413 million. The total for 4 years was slightly more than $1.2 billion.

*Economic development and opportunity*

In 1969 more than $1.5 went to local areas for programs in this category. This represents a $30.4 million, or 2-percent increase over 1968. In 1970 the amount was $1.7 billion, a $155 million or 9-percent increase. In 1971 outlays dropped to $1.2 billion for a 274-per-

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cent decline. The following year outlays dropped further to $1.1 billion for a 13-percent decline. The total for 4 years was approximately $5.6 billion. The declines represent the phasing out and phasing down of the Great Society programs.

*Education*

In 1969 $2.5 billion went to the States and local areas in grants-in-aid for education, representing an 8.2-percent decrease from the previous year. In 1970 the amount rose to $2.8 billion, a 12-percent increase. In 1971, outlays rose another 129 percent to $3.2 billion. In 1972 the amount went to $3.7 billion, or 14 percent.

*Health and welfare*

Health and welfare outlays for grants-in-aid to the States and local areas were about $7.5 billion in 1969, an increase of 16 percent. In 1970, the amount rose to $9.1 billion for a 19-percent increase. In 1971, it rose to $11.3 billion for a 148-percent increase. In 1972 there was a $15.4 billion outlay, a 36-percent increase. The 4-year total for health and welfare was $43 billion. For all program categories the Federal grants-in-aid total was $74 billion in the first Nixon administration.

TABLE 2.3.—FEDERAL RECEIPTS AND FEDERAL OUTLAYS FOR URBAN-RELATED PROGRAMS 1969–72

[Dollar amounts in billions]

| Year | Federal receipts | Federal outlays for urban-related programs | Percent of Federal receipts |
|---|---|---|---|
| 1969 | 190.4 | 13.4 | 7.0 |
| 1970 | 195.0 | 16.5 | 8.5 |
| 1971 | 193.0 | 19.8 | 10.3 |
| 1972 | 193.0 | 25.0 | 13.0 |
| Total | 789.4 | 74.9 | 9.5 |

Note.—Federal receipts totalled more than $789 billion during the 1969–1972 years of the Nixon administration. Nearly $38 billion of this was dispensed in Federal grants-in-aid to the States and local areas, averaging 9.5 percent of Federal receipts during this period. The gross national product was $1,185.9 billion, and Federal grants-in-aid to the urban areas represented 6.3 percent of this amount.

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## CHAPTER 3: THE NIXON-FORD YEARS, 1972-76

### Nixon's Second Term Philosophy

In contrast to his initial narrow victory, Nixon won reelection in 1972 by a large plurality. He interpreted this as a mandate to move ahead more vigorously in implementing his conservative philosophy and program initiatives. This meant he could go further on strong price and wage controls in his fight against inflation, finish dismantling the Poverty Program, and augment States' rights by newly emphasizing block grants in lieu of categorical grants.

During his second term there were considerable shifts in the economy, and by the time he left office, inflation had become a considerable problem. Because Nixon left office under a cloud of scandal and threatened impeachment, and because the elected Vice President, Spiro Agnew, had resigned earlier on account of alleged improprieties, he had been replaced by Congressman Gerald Ford. Mr. Ford then became President, following the constitutional process indicated in the 25th amendment, on August 9, 1974.[33]

### The Ford Philosophy

As a result of the oil crisis, oil imports had increased dramatically, surprising the public and the administration. The United States was paying more for oil imports than ever before. This affected the balance of trade, which in turn affected the inflation rate. To many, the retail shortages of gasoline were reminiscent of World War II, when coupons were used to administer rationing.

Production was at its lowest ebb in some time, and the Nixon economists had indicated that it was due to the demand side of the economy: output, they said, was falling because the oil shortage was limiting the ability of many enterprises to produce.[34] Critics of this analysis argued that world oil prices were causing a big increase in U.S. payments to foreigners and causing the demand for American goods and products to decline.

Many of these Nixon economists who were held over into the Ford administration were unmoved by this. National economic policy during 1974 was restricted: the basic point of Ford's approach was to maintain a steady disinflationary course, regardless of what the economic indicators showed.[35] The fact that Ford did not make any new policy initiatives may be attributable to his having ridden into office on the newly minted 25th amendment. A Congressman for over 20 years, he had observed many diverse economic policies, but never articulated or developed a philosophy or program of his own. He stayed the course his predecessor had charted, and saw himself as a caretaker. Indeed, as minority whip in the House of Representatives, Ford had a 100-percent voting record in favor of President Nixon's Legislative Program.[36]



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TABLE 3.1.—ECONOMIC CONDITIONS FOR THE NIXON-FORD ADMINISTRATION

| Indicator | Principal economic indicators | |
|---|---|---|
| | Beginning of administration, 1973 | End of administration, 1976 |
| Unemployment (percent) | 4.8 | 7.6 |
| Inflation (percent) | 6.2 | 5.8 |
| Gross national product (billions of 1972 dollars) | 1,254.3 | 1,298.2 |
| Government surplus/deficit (billions of dollars) | −14.8 | −66.4 |

Source: U.S. President. Economic report of the President. U.S. Government Printing Office, Washington, 1984.

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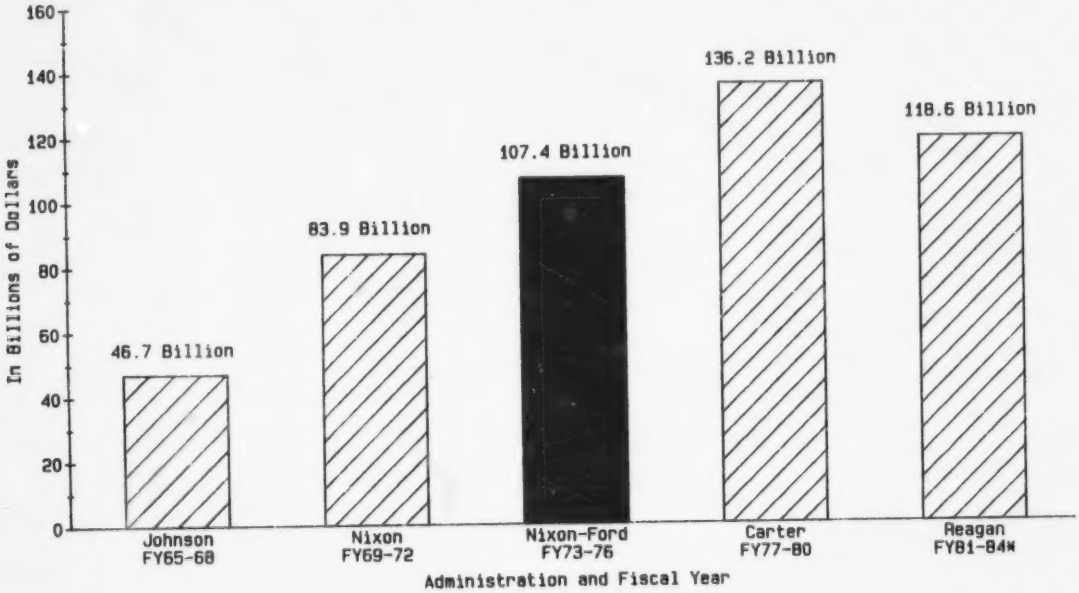
FIGURE 3.1: Total Urban-Related Federal Outlays in Grants-in-Aid, by Administration, 1965-1983

(1972 $ thousands)




* FY84 assumed equal to FY83.

Source: See Methodological Appendix.



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During his administration the economy continued to slow down, with growing inflation and rising unemployment. Ford's response was to maintain the same course, taking no innovative action. Working with the Council of Economic Advisers, who were all Nixon holdovers, he called an economic summit resulting in a four-point plan based on maintaining the Nixon policies, which represented a very cautious approach to current economic problems. President Ford was dedicated to balancing the budget and to maintaining a fiscal policy with price and wage controls. He called for voluntary restraint for all Americans to fight inflation by saving, and proffered the slogan, "Whip Inflation Now."

In retrospect, the policy of 1974 from the Ford administration appears to be the policy of seeking social acceptance for increased unemployment, the traditional cost of lowering inflation. In spite of having a strong Vice President, Nelson Rockefeller, who had broad experience in both public service and business, President Ford's response was to hold to the Nixon course for the next 2 years. By the end of 1974 the economic decline and its devastating effects were evident in the advent of a severe recession and an oil crisis, and a positive response was expected from the Government.[37]

Yet the Government responded with a limited temporary tax cut believed to be an economic stimulus. In contrast to this narrow response, liberal economists called for an expansion of economic policy, featuring greater Federal expenditures, but Ford did not change his approach.

In spite of a Democratic activist Congress, no further action was taken. The news that came in 1975 was that unemployment had climbed to 9 percent, the highest level since 1959.[38] The limited revival in 1975 may be counted as a success, at least in the relative attenuation of inflation during that period. Increases in the consumer price index fell from 11 percent in 1974 to 9 percent in 1975 and 5.8 percent in 1976.[39]

This decline in inflation was to some degree transitory, because inflation had reached a somewhat artificial peak as a result of the oil price crisis and other unusual phenomena that do not normally figure into the business cycle. While inflation was allegedly being fought, unemployment was rising, and Ford fell prey to a common Republican approach to the economy—controlling inflation at the cost of rising unemployment—which had a substantial impact in his reelection bid in 1976.[40]

Inflation was declining, unemployment was rising, the Poverty Program had been completely dismantled, and funds were now going to local governments in less tightly controlled but smaller block grants. States found it increasingly difficult to fund nontraditional programs. They even began to experience difficulty in funding activities essential to the operation of State and municipal governments.

It is apparent that President Ford had a very limited concept of using the Presidential office to promote Presidential philosophy and social policy. Perhaps because he gained office in an unprecedented manner, he did not generate any bold policy innovations and did not use the office to persuade the American people of the

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correctness of his position. The country remained disillusioned and dispirited.

Urban centers had to be dependent on the States for major portions of their funding, which meant stricter State control or urban resources for growth, as well as more State control over urban politics. The cities then gained moneys according to State political priorities and policies. In the transition from Johnson to Nixon, and ultimately to Ford, the Republicans succeeded in getting the Government out of the cities and giving the cities back to the States. The *laissez faire* approach of the Ford administration was characterized by its emphasis on "State rights" and removing Government regulation from business.[41]

The following is a table showing Federal funding outlays for grants-in-aid to the States for urban-oriented programs from 1973 through 1976.

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## TABLE 3.2.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, NIXON-FORD ADMINISTRATION, FISCAL YEARS 1973–76 [1]

[In thousands of current dollars]

| | 1973 | 1972–73 actual increase (decrease) | 1972–73 percent increase (decrease) | 1974 | 1973–74 actual increase (decrease) | 1973–74 percent increase (decrease) | 1975 | 1974–75 actual increase (decrease) | 1974–75 percent increase (decrease) | 1976 | 1975–76 actual increase (decrease) | 1975–76 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 2,970,308 | 236,980 | 8.7 | 3,159,917 | 189,609 | 6.4 | 3,438,335 | 278,418 | 8.8 | 4,112,594 | 674,259 | 19.6 | 13,681,154 |
| Transportation | 566,904 | 353,253 | 165.3 | 616,786 | 49,882 | 8.8 | 1,008,307 | 391,521 | 63.5 | 1,562,432 | 554,125 | 55.0 | 3,754,429 |
| Public safety | 537,865 | 214,661 | 66.4 | 668,840 | 130,975 | 24.4 | 722,406 | 53,566 | 8.0 | 786,037 | 63,631 | 8.8 | 2,715,148 |
| Employment | 1,930,159 | 772,342 | 66.7 | 2,635,311 | 705,152 | 36.5 | 3,974,584 | 1,339,273 | 50.8 | 6,076,785 | 2,102,201 | 52.9 | 14,616,839 |
| Environment | 684,350 | 270,942 | 65.5 | 1,552,482 | 868,132 | 126.9 | 2,024,206 | 471,724 | 30.4 | 2,562,926 | 538,720 | 26.6 | 6,823,964 |
| Economic development and opportunity | 721,870 | (393,733) | (35.3) | 661,216 | (60,654) | (8.4) | 539,572 | (121,644) | (18.4) | 827,714 | 288,142 | 53.4 | 2,750,372 |
| Education | 3,774,484 | 76,487 | 2.1 | 3,826,611 | 52,127 | 1.4 | 4,257,566 | 430,955 | 11.3 | 3,967,754 | (289,812) | (6.8) | 15,826,415 |
| Health and welfare | 14,236,558 | (1,177,911) | (7.6) | 15,289,455 | 1,052,897 | 7.4 | 17,799,522 | 2,510,067 | 16.4 | 20,589,472 | 2,789,950 | 15.7 | 67,915,007 |
| Total | 25,422,498 | 353,021 | 1.4 | 28,410,618 | 2,988,120 | 11.8 | 33,764,498 | 5,353,880 | 18.8 | 40,485,714 | 6,721,216 | 19.9 | 128,083,328 |

[1] Please see the Methodological Appendix for details concerning the derivation of this table.



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This approach alienated President Ford from the minority communities of America. Many did not view him as the President of "all the people," and this view may have found credence in his passive approach to the office and existing Nixon policies. His greatest problem had been in developing policies and energizing popular support for them in troublesome economic times. In his 1976 campaign for reelection he did not draw a significant amount of the minority and urban vote. He was defeated in that election by a former Southern Governor, Jimmy Carter of Georgia.

Ford left office without the country really knowing what he could do, and what his conservative economic policies would do. Many felt the Ford tenure was a continuation of the Nixon administration's policies and staff. Gerald Ford performed the service of stabilizing the Government during a difficult and tenuous time for the Nation, but did this without a distinctive Presidential identity of his own.

## Analysis of Federal Grants-in-Aid Outlays, 1973–76

In 1973 the total outlays in Federal grants-in-aid to the States was at $25.4 billion, approximately 1 percent higher than in 1972.

### *Housing*

The 1973 outlays for housing programs were nearly $3.0 billion, $236 million, or 8 percent higher than in 1972. In 1974 they were $3.1 billion or 6 percent higher than 1973. The following year, however, there was an 8-percent increase to $3.4 billion. In 1976 the amount rose to $4.1 billion for a 19-percent increase. Total housing outlays were $13.6 billion.

### *Transportation*

In 1973 transportation outlays were $566 million, $353 million more than in 1972, representing a 165-percent increase. Nineteen seventy-four brought an increase to $616 million (8 percent) but in 1975, the amount increase by 63 percent to $1 billion. In 1976 the amount rose to $1.5 biilion, an increase of 55 percent. Total transportation outlays were $3.7 billion.

### *Public safety*

In 1973 the outlays for Federal grants-in-aid to the States and local areas for public safety were at $537 million, representing a 66-percent increase over the previous year. In 1974 they rose 24 percent to $669 million. A modest 8-percent rise was experienced the following year, bringing the total to $722 million in 1975. In 1976 outlays for this purpose were at $786 million, a 9-percent increase. The total outlay for 4 years was $2.7 billion.

### *Employment*

Grants for employment programs in the first year of the second Nixon administration were $1.9 billion, increasing by 66 percent over 1972. In 1974 the amount rose 36 percent to $2.6 billion. The following year, 1975, saw a major increase of 50 percent to $3.9 billion. In 1976 the amount was $6 billion for a 53.9-percent increase.

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Total outlays in this area were $14.6 billion for the Nixon-Ford administration.

*Environment*

The 1973 Federal grants-in-aid outlays to the State and local areas for environmental programs were nearly $684 million, a 65-percent increase over the amount for 1972. The following year the amount increased by 126 percent to $1.5 billion. A further 30-percent increase came in 1975 to $2.0 billion, but by 1976 the amount stabilized out to $2.5 billion for a 26-percent increase. The total outlays in the environmental area were $6.8 billion for the 4 years.

*Economic development and opportunity*

Outlays for these programs in 1973 totaled $721 million, 35 percent less than the previous year. A further decrease of 8 percent was witnessed in 1974, bringing the amount to $661 million, and a dramatic decrease of 18 percent the following year resulted in a total for that period of $539 million. The 1976 amount saw an increase to $827 million or a 53-percent increase. The total outlays for the program area were $2.7 billion for the 4 years.

*Education*

The Federal Government provided $3.7 billion in grants-in-aid to the States and local areas in 1973 for educational programs, 22-percent increase over the previous year. In 1974 there was a modest increase of 1.4 percent in 1974 to a total of $3.8 billion. Nineteen seventy-five saw a significant 11-percent increase to $4.2 billion, and then a further decrease to $3.9 billion in 1976 for a 6-percent decrease. Total outlays for the 4 years were $15.8 billion.

*Health and welfare programs*

Health and welfare grants-in-aid to the States and local areas opened the first year of Nixon's second term at $14.2 billion, down 7 percent from the previous year, and up 7 percent the following year to $15.8 billion. In 1975 outlays for these programs experienced an increase to more than $17.7 billion for a 16-percent increase. The 1976 amount climbed to approximately $20.5 billion for a 15-percent increase. The total outlays in the area for 4 years were $67 billion.

TABLE 3.3.—FEDERAL RECEIPTS AND FEDERAL OUTLAYS FOR URBAN-RELATED PROGRAMS 1973–76

[Dollar amounts in billions]

| Year | Federal receipts | Federal outlays for urban-related programs | Percent of Federal receipts |
|---|---|---|---|
| 1973 | 240.7 | 25.4 | 10.6 |
| 1974 | 271.6 | 28.4 | 10.5 |
| 1975 | 283.6 | 33.7 | 11.9 |
| 1976 | 314.9 | 40.4 | 12.8 |
| Total | 1,110.6 | 127.9 | 11.5 |

Note.—Total receipts were $1,110.6 billion, and outlays for grants-in-aid to urban areas and the States were $127.9 billion, which was 11.5 percent of total receipts for the Nixon-Ford Presidency.

The gross national product [GNP] for the 1973–76 period was $1,298.2 billion, and the $127.9 billion in grants to the States represented 9.9 percent of the GNP.

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## Consequences of the Ford-Rockefeller Years, 1974–76

The Ford Presidency continued Nixon's economic policies, further scaling down economic opportunity programs, though Ford spent $56 billion on programs related to cities during his term in office. Ford completed the Nixon Social and Economic Program, continuing the Nixon conservative emphasis, which looked to capital formation rather than transfer payments as the solution to poverty, unemployment, and other economic problems. Retrenchments in social programs were accompanied by a shift to more emphasis on revenue sharing, with concommitant reductions in the categorical grants-in-aid programs, which were virtually eliminated. This had significant consequences for urban centers, and many urban Americans lowered their expectations of services their cities would provide. Under reduced funding administrated through block grants, city administrations were faced with the task of keeping priority services going while reducing nonessential ones. There was little possibility of replacing lost Federal dollars without raising taxes, and many cities were already taxed to the limit. There was little money for innovation or for meeting the needs of the disadvantaged in their communities.

Hardest hit was education, which had lost almost 20 percent of its funds in the second term of the Nixon-Ford administration.[42] Housing programs also suffered, and were cut by 38 percent.[43] These changes were very significant in their impact on the overall quality of urban life and on the emergent problems faced by cities today.

It should be recalled that the urban centers during the 5 years of the Nixon-Ford era had to cope with the destabilization of many innovative programs that had been funded through categorical aid grants. Legal services for the poor were cut, as were funds for neighborhood development organizations and model cities programs. These and other similar programs were now being phased out or put into block grants.

And moving from the level of municipal and other local governmental administration to the street level, many people who had been served by the Kennedy-Johnson programs or who had worked in them were abandoned. As a foil to potential bad publicity, the administration criticized these programs as being maladministered and riddled with fraud, as rampantly squandering the taxpayers' money. These allegations were questionable.

The first 5 years of the 1970's witnessed a struggle in urban America to recover the resources required for infrastructure development and to forestall the deterioration of inner cities without the accustomed level of Federal spending.

### *Population trends*

The analysis of population trends in the 1970's gave use to public urban policy concern for explosive or large growth in the metropolitan areas. Growth in the 20 largest urban areas had slowed growth in 14 areas with experienced net out migration of population. Five of them had suffered absolute population losses. Small metropolitan areas had become the fastest growing areas of the city. (See: Walter Hahn; Strategic Issues: Historical Experience, In-

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stitutional Structures and Conceptual Framework. July 1982; p. 108.)

The decline of central city populations show a correlation with inner suburbs. In the case of the Washington, DC. SMSA, the population of revenue sharing jurisdictions experience population declines about as rapidly as that of the District of Columbia whose population fell by 7.5 percent between 1970 and 1976. In the inner suburbs Cleveland and St. Louis experienced population declines but not as large as in these central cities.

There were significant citywide average income levels in relation to the suburban population. If continued, with enough support inner city revitalization should halt the expansion and bring about the narrowing of it.

Furthermore, the instruments for moving Federal dollars into urban areas had changed, adding to the confusion. Cities were now finding themselves not only with fewer Federal dollars, but with the block grant procedure to cope with. The block grants, which had replaced significant proportions of the older, more familiar, categorical grants, were less money than the cities would have received in categorical funding.[44] However, the restrictions on the use of the funds were sharply reduced, based on the Nixon-Ford philosophy of the New Federalism or States' rights.

The impoundment problem, first generated by the Nixon administration, should also be remembered. President Nixon refused to allow money appropriated by Congress for certain programs to be spent, and impounded some of these funds so that the Treasury would not release them.

This affected many human resources programs as well as housing funds. This moratorium lasted approximately 15 to 18 months; but housing programs lost more time before they could be restarted. Groups dependent on Federal aid in any form suffered the most. Several law suits were initiated, creating considerable confusion about the anticipated levels of outlays as they would affect life in urban areas. In response to this action, Congress passed the Congressional Budget and Impoundment Control Act of 1974, limiting the President's authority to withhold expenditures except in conformity with procedures requiring congressional approval.[45]

It also established new congressional procedures and institutions—most notably, the House and Senate Budget Committees and the Congressional Budget Office—intended to enable Congress to make better decisions about the totals in the budget and to force the specific decisions about appropriations and taxation to conform to those totals, with the intended overall result that Congress would have more control over the Federal budget and more strength in facing Presidential challenges on budgetary matters.[46]

As the Vietnam war ended, there was a widespread expectation that nondefense expenditures would increase, but instead, they remained the same or diminished. The so-called Vietnam dividend was not transformed into expenditures for cities and their social problems.

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In addition, Nixon initiated—and Ford continued—a policy of providing funds to only the most needy persons and of encouraging those who were found to be less needy to work. And the press coined the term "workfare."

The Ford years represented a substantial disregard for the Nation's disadvantaged.

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## CHAPTER 4: THE CARTER-MONDALE YEARS, 1976–80

**The Carter victory in the elections of 1976 was a surprise, for a Southern President had not been elected in over a century.**

This was quite unprecedented in a sense the American people did not know him well and he did not know them, as history has proven. He was a man who came upon the scene during a grave moral crisis in our country. He preached morality, and the values and past events that made America strong, events that "Americans liked to hear." He appealed to the national mind. He was publicly sensitive to minorities. He was also sensitive to women. He had an outspoken very loving and devoted wife that appeared to be the basis by which the American people saw him and wanted him to be President—his wholesome family image. He ran against the kind of moral corruption and terpitude that was reflective of the Nixon-Ford years. He connected Ford to Nixon in the campaign and he caught national mood as a result of his strong moral appeal, in spite of the fact that he had been a southerner and no southerner had been elected in almost a hundred years; he was elected to the presidency of the United States.[47]

### The Carter Philosophy

Jimmy Carter brought a whole new approach to Democratic circles in Washington. He was not a liberal, but a conservative Democrat, and his outlook was very similar to that of moderate Republicans. Many easterners and the liberal establishment of the Democratic party would fall "out of love" with him before his first term was up.[48] He had difficulty expressing himself to the American people, though he was often thought of as very "intelligent and articulate." The American people were not used to southern inflection in the public utterances of their national spokesman, and he had difficulty making his ideas understood to the broader national audience. This contrasts sharply with the communications capabilities of Mr. Reagan.

TABLE 4.1.—ECONOMIC CONDITIONS FOR THE CARTER ADMINISTRATION

| Indicator | Principal economic indicators | |
|---|---|---|
| | Beginning of administration, 1977 | End of administration, 1980 |
| Unemployment (percent) | 6.9 | 7.0 |
| Inflation (percent) | 6.5 | 13.5 |
| Gross national product (billions of 1972 dollars) | 1,369.7 | 1,475.0 |
| Government surplus/deficit (billions of dollars) | −44.9 | −59.6 |

Source: U.S. President. Economic report of the President. U.S. Government Printing Office: Washington, 1984.



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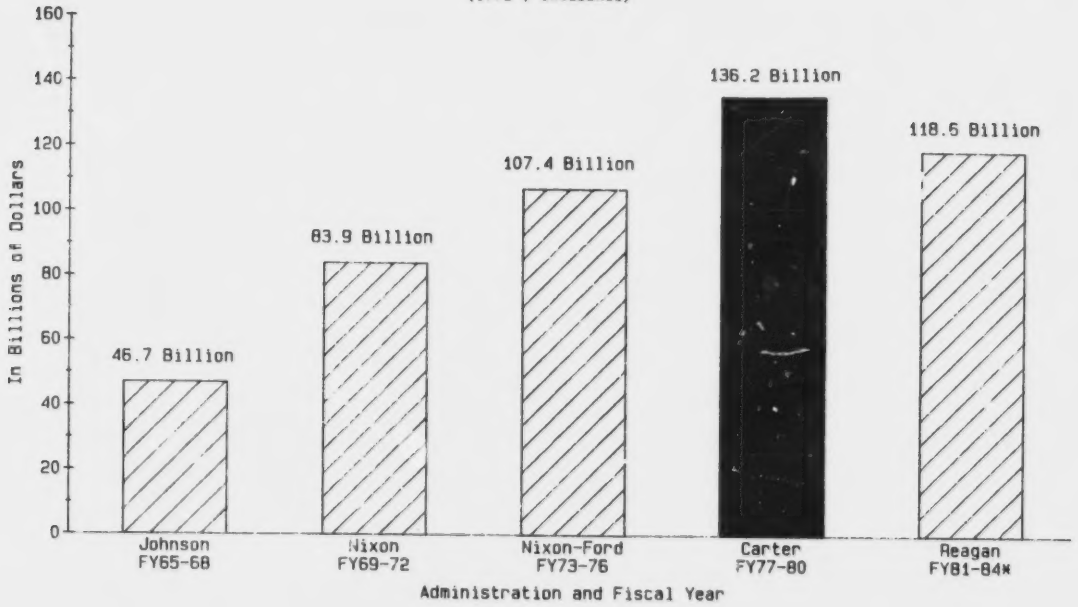
FIGURE 4.1: Total Urban-Related Federal Outlays in Grants-in-Aid, by Administration, 1965-1983

(1972 $ thousands)




* FY84 assumed equal to FY83.

Source: See Methodological Appendix.



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President Carter articulated a policy of fairness and a concern for getting the country moving again. He drew attention to the inequities that minorities faced. He was sensitive to the concern of poverty, and talked about how he grew up in poverty in rural Georgia.[49] He eulogized what President Franklin Roosevelt had done for the Nation and what President Kennedy and Johnson attempted to do, reminding America of some of its past greatness, which, he said, could emerge again. He was consistent and effective in using the office to create a sense of national purpose, however vague. However, he was not very good at persuading the American public on specific issues. He lacked the strong speaking skills required to appeal to a broad range of Americans, and this contributed to his downfall.

Furthermore, his conservative philosophy clashed with the rising expectations of a largely Democratic constituency that expected more of a Democratic President.[50] He was most certainly a fiscal conservative, though his positions on social policy and international affairs might have been somewhat more liberal.

As a fiscal conservative, President Carter deviated little from a strict monetarist approach to national economic policy, though he supported public expenditures for employment and training programs. He believed in managing the economy by controlling the money supply. However, he was not a pure or classical monetarist, and when inflation and unemployment started to rise, it became apparent that he never fully understood the relationship between these phenomena. He knew the effect but never addressed the cause. Though he initially made lowering unemployment a major goal of his economic policy and asked Congress to support this by funding employment and training programs, he seems to have believed that the liberal economic policies of the 1960's and 1970's had passed.[51]

In rejecting the liberal economic thinking that had preceded him in earlier Democratic administrations, he rejected the Keynesian approach to economic policy. Based on the monetarist approach, there was a connection between low inflation and unemployment, and this could clearly be seen in contemporary economic development. But when inflation started to rise and unemployment started to rise at the same time, this could not be easily explained by the monetarist tradition, which anticipates that bringing down unemployment will result in increased inflation. But if inflation and unemployment rise together, a major flaw in the monetarist framework is suggested. Economic growth faltered and fell to its lowest level in years.[52] Public attitudes toward expenditures and taxes tended to become alarming, and there was a growing feeling that the economy was on a "runaway course." These apprehensions were further fueled by rising interest rates. There were slowdowns in certain industries such as housing, steel, and autos due to high interest rates. Double-digit inflation, high interest rates and other factors led to a severe recession.[53] There was a loss of confidence in the economy and people started to withdraw and hoard their savings, and investment declined. In reaction to this, the Federal Reserve Board cut the money supply to fight inflation, and as a result, the situation became even worse.[54]

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President Carter was caught in a dynamic which was a revolving cycle for him—low productivity, low growth, high interest rates, high inflation, and high unemployment. Cutting the money supply contributed to waning public confidence in his ability to successfully manage the economy. The Carter administration's overall record on the economy was not very good.[55] However, he strongly supported employment and training programs, especially for minority teenagers. He was a great supporter of CETA [the Comprehensive Employment and Training Act]. CETA programs were fully funded, and outlays for them grew during his administration. He also asked the Small Business Administration and minority business development agencies to provide greater capital and technical knowhow to small and minority businesses. He insisted on a Government policy of setting aside 10 percent of Government procurement as a goal for the purchase of goods and services by small and minority business.[56]

### Carter's Unique Contribution to the Cities

President Carter's greatest domestic policy contribution was the creation and promotion of the Domestic Affairs Council in the Executive Office of the President, and in 1978 he asked several of his Cabinet departments to form a planning group which later generated a national urban policy as a framework for Federal funding to the States and cities.[57] As indicated earlier, actions of the Federal Government have pervasive impacts on the economic development of cities. National economic policy set by the President, the Congress, the Federal Reserve Board, and other agencies affect the prices and availabilities of goods and services.[58] These, in turn, have very substantial effects on cities. Federal policy also shapes urban economic development by altering the relative costs of doing business in various industries. The relative cost of land, labor, capital, energy, and other resources are all important factors in business investment and location decisions, and are strongly influenced by Federal taxation and credit policies. Federal programs in transportation can directly affect the cost and competitiveness of alternative business locations in urban areas, influencing the geographic patterns of business investment and employment.

In March 1978, President Carter announced his Comprehensive National Urban Policy, calling it "a new partnership to conserve America's communities."[59] The policy was a product of a year-long effort to formulate and clarify urban concerns and priorities. He was aware of the impact of domestic policy on urban life, especially the lifestyle related to the cycle of poverty. President Carter realized that as some people were migrating to the cities, others were moving out of the central cities to the suburbs. Others were moving from longer settled parts of the Nation to newer Sun Belt States under the stimulation of anticipated growth and prosperity, and many of the older cities were in decline. Without a comprehensive urban policy and an awareness in the executive branch of the role of Government in this process, many individuals migrating to the city would be reduced to poverty.[60] Coming from agrarian or less urban communities, they would be less able to fend for themselves

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and more dependent on the largess of the State or the Federal Government for survival than would more traditional city dwellers.

The urban policy was a conceptual basis for restructuring the Nation's cities to restore them to economic health. This was a massive attempt to coordinate Federal agencies toward the achievement of a central complex policy objective. No additional outlays were generated as a result of this comprehensive program.

Three firm principles were defined by President Carter in his initial urban policy report to Congress, providing the framework for coordinating legislative and executive actions to implement this new urban thrust.[61]

—*First* the President committed the administration to providing the leadership necessary to help the Nation's urban communities respond to their problems.

—*Second,* realizing that Federal actions alone would not be sufficient to meet urban needs, he directed Federal agencies to help forge partnerships between all levels of government. The private sector and voluntary and neighborhood groups would be asked to work on revitalization strategies.

—*Third,* he indicated that to the extent possible, Federal resources should be targeted to communities and people reflecting the greatest need.

In addition, principles for developing and implementing the urban policy were articulated:

(1) encourage and support efforts to improve local planning, management capacity, and effectiveness of existing Federal programs by coordinating these programs, simplifying planning requirements and reorienting resources and reducing paperwork;

(2) encourage the States to become partners in assisting urban areas;

(3) stimulate greater involvement by neighborhood organizations and voluntary associations;

(4) provide fiscal relief to the most hard-pressed communities;

(5) provide strong incentives to attract private investments to distressed communities;

(6) provide employment opportunities primarily in the private sector to the long-term unemployed and disadvantaged in urban areas;

(7) increase access to opportunities for those disadvantaged by a history of discrimination;

(8) expand and improve social and health services to disadvantaged people in cities, counties, and other communities; and

(9) improve the urban fiscal environment and the cultural and aesthetic aspects of urban life.[62]

President Carter undertook a number of urban policy legislative initiatives to stimulate urban revitalization. These had significant impacts. In 1978, he also issued an Executive order to improve the coordination of Federal urban programs and to heighten Government sensitivity to urban areas. In addition, he asked the Office of Management and Budget to require Federal agencies to prepare impact analyses to accompany significant new legislative and regulatory initiatives, with important impacts on large and small com-

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munities. The policies of President Carter reflect a consistency between his philosophy and his efforts to press Federal agencies to perform on behalf of the urban communities.

This represented a significant departure from policies of the Nixon-Ford administration. It should be pointed out that these changes were undertaken against the backdrop of a failing economy with alarming rates of inflation and unemployment. President Carter can best be remembered for what he attempted to start in terms of a stream of programs related to the urban community:

(1) *Urban Development Action Grants.* These grants by the U.S. Department of Housing and Urban Development provided special initiatives in the area of urban development. Any American city was eligible to apply.

(2) *The Neighborhood Self-Help Development Act.* Again administered by the Housing and Urban Development Department, this neighborhood self-help program provided funding to build and revitalize neighborhoods.

(3) *The Livable Cities Program* was an increased appropriation to enhance the quality of urban life. It featured a strong emphasis on cultural development.

(4) *The Elementary and Secondary Education Act* concentration provision, found in title I of this legislation, provided important assistance to urban schools.

(5) The Carter administration pressed for a separate *Department of Education,* and this innovation had great potential significance for Federal assistance to urban education.

(6) The *Title XX Social Service Act,* which was related to increased appropriations for social service initiatives, was also important for the cities.

(7) The *inner city health initiative* concentrated on health as it related to cities.

(8) The *targeted jobs tax credit* administered by the Labor and Treasury Departments provided tax incentives to companies for hiring disadvantaged workers in an effort to address the unemployment problem.

(9) The *Section 312 Housing Rehabilitation Program* administered by the Department of Housing and Urban Development supported housing rehabilitation.

(10) The *private sector initiatives* in the Comprehensive Employment Training Act supported new efforts to address the unemployment problem.

(11) *The New York City guarantees bill* provided Federal support for that major American city in its financial crisis in an action that President Ford said that he would not do. This was coordinated by the U.S. Department of the Treasury and over a billion dollars in Federal loan guarantees was involved.

(12) *Urban parks and recreation recovery acts,* used by the Interior Department, developed urban parks and beautified our cities, through the use of parks to provide recreation for citizens.

(13) The *Rehabilitation Tax Credit* administered by Treasury was favorable to urban redevelopment.

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(14) The *Consumer Cooperative Bank Act* fostered the creation of cooperatives throughout the Nation which performed services throughout the Nation in funding cooperatives.

(15) *Urban initiatives in transportation,* were undertaken to get needed urban transportation designed and developed using the Department of Transportation as a focal point.

All of these were initiatives started by 1978, at least 2 years after Carter came into office. He was not successful in a labor intensive public works act aimed at the disadvantaged which Congress blocked, or in the State incentive grants by the Housing and Urban Development which were opposed as too costly, or in the urban volunteer corps that employed disadvantaged youngsters to rebuild cities.[63]

President Carter's urban efforts and ideas were all focused in the Domestic Affairs Council, which he upgraded and used as a full-fledged Cabinet office headed by one of his most trusted staff members. It was intended to provide the types of policy coordination necessary to get a dynamic urban policy developed and implemented. This was a very positive step which should be institutionalized. It has already had a dramatic impact on some of the cities in some policy areas.

In looking at the effectiveness of President Carter's economic and urban policies it should be recalled that Carter had instituted zero based budgeting, resulting in minimal increases in outlays to the cities. He continued some categorical grants to the States and cut many programs as Ford had done. He prioritized and rearranged Federal outlays and programs. As a result of these actions, the cities got no major net increases in Federal funding.

The following is a table showing Federal funding outlays for grants-in-aid to the States for urban-oriented programs from 1977 through 1980.

## TABLE 4.2.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, CARTER ADMINISTRATION, FISCAL YEARS 1977–80 [1]

[In thousands of current dollars]

| | 1977 | 1976–77 actual increase (decrease) | 1976–77 percent increase (decrease) | 1978 | 1977–78 actual increase (decrease) | 1977–78 percent increase (decrease) | 1979 | 1978–79 actual increase (decrease) | 1978–79 percent increase (decrease) | 1980 | 1979–80 actual increase (decrease) | 1979–80 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 5,128,290 | 1,015,696 | 24.7 | 5,604,779 | 476,489 | 9.3 | 6,413,818 | 809,039 | 14.4 | 7,856,027 | 1,442,209 | 22.5 | 25,002,914 |
| Transportation | 1,643,997 | 81,565 | 5.2 | 1,992,055 | 348,058 | 21.2 | 2,445,382 | 453,327 | 22.8 | 3,200,375 | 754,993 | 30.9 | 9,281,809 |
| Public safety | 694,724 | (91,313) | (11.6) | 558,876 | (135,848) | (19.6) | 497,007 | (61,869) | (11.1) | 449,228 | (47,779) | (9.6) | 2,199,835 |
| Employment | 6,791,197 | 714,412 | 11.8 | 10,569,902 | 3,778,705 | 55.6 | 10,303,198 | (266,704) | (2.5) | 9,866,877 | (436,321) | (4.2) | 37,531,174 |
| Environment | 3,724,073 | 1,161,147 | 45.3 | 3,391,048 | (333,025) | (8.9) | 3,962,540 | 571,492 | 16.9 | 4,586,678 | 624,138 | 15.8 | 15,664,339 |
| Economic development and opportunity | 1,472,356 | 644,642 | 77.9 | 4,022,133 | 2,549,777 | 173.2 | 2,803,579 | (1,218,554) | (30.3) | 2,973,344 | 169,765 | 6.1 | 11,363,700 |
| Education | 4,340,814 | 373,060 | 9.4 | 4,992,578 | 651,764 | 15.0 | 5,986,006 | 993,428 | 19.9 | 6,889,228 | 903,222 | 15.1 | 22,208,626 |
| Health and welfare | 22,893,403 | 2,303,931 | 11.2 | 24,284,687 | 1,391,284 | 6.1 | 26,125,381 | 1,840,694 | 7.6 | 28,266,344 | 2,140,963 | 8.2 | 40,039,748 |
| Total | 46,688,854 | 6,203,140 | 15.3 | 55,416,058 | 8,727,204 | 18.7 | 58,536,911 | 3,120,853 | 5.6 | 64,088,101 | 5,551,190 | 9.5 | 163,292,145 |

[1] Please see the Methodological Appendix for details concerning the derivation of this table.



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During this period outlays in current dollars continued to fall in certain areas, such as transportation, public safety, employment, and housing, particularly in 1979 and 1980. The Carter administration cut the Federal budget in its effort to cope with increasing inflation, unemployment, and the runaway economy. The Carter strategy for carrying out these cuts was "zero-based budgeting," in which every program was categorically ended each year and had to be rejustified from zero during each new budget cycle. This led to the substantial reduction of many categorical grant programs because of the politics of refunding.

Another factor should be taken into consideration. During the Carter years the block grant approach was more fully implemented, giving dollars raised through Federal taxation back to the States so that categorical grants were minimized. However, within the categorical grants there still was a conservative funding trend, as many human resources programs were slashed by the Carter administration, with the notable exception of employment training which was expanded and funded at a level consistent with the outlook of the Kennedy and Johnson administrations. The program receiving the most attention and funding was the Comprehensive Employment Training Program, commonly called CETA, but this was funded mainly through block grants, not categorical grants.[64]

In 1977 the total amount of Federal grants-in-aid to the States and local areas was $46.6 billion. This was a 15-percent increase over what was spent in 1976, or a $6.2 billion increase.

*Housing*

Housing grants were $5.1 billion in 1977, representing a 24-percent increase over 1976. The 1978 amount was $5.6 billion, a further 9-percent increase. Growth continued in 1979 to $6.4 billion, a 14-percent increase. In 1980, however, the amount went to $7.8 billion or a 22.5-percent rise. Total outlays in housing were $25 billion.

Total outlays for housing grants-in-aid during the Carter administration were $21 billion.

*Transportation*

In 1977 the Carter administration generated grants-in-aid outlays of $1.6 billion to the States and local areas for transportation purposes. This was a 25-percent increase over 1976. In 1978 the amount increased to a total of $1.9 billion, for a 21-percent increase. In 1979 it rose to $2.4 billion, a 22-percent increase. The 1980 amount was $3.2 billion, an increase of 30 percent. The total for the entire Carter administration was $9.2 billion.

*Public safety*

In 1977 Federal outlays for grants-in-aid to the States in this public policy area were $695 million, a 12-percent decline from 1976. In 1978 it fell 20 percent to $559 million. A further decline was realized in 1979, when the amount was off 11 percent to $497 million. And in 1980 it dropped another 10 percent to $449 million. The grants-in-aid total for public safety for the Carter administra-

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tion was $2.2 billion. This represented a 52-percent decline in outlays over 4 years.

*Employment*

In 1977 total aid to the States and local areas for employment programs were $6.8 billion, up 11 percent from 1976. The next year, the amount increased to $10.6 billion, a 55-percent increase. The 1979 $10.3 billion outlays in the employment area was a marginal decline of about 2 percent from 1978. The 1980 amount was $9.9 billion, representing a drop of $435 million (or 4 percent). The total Carter grants-in-aid to the States and local areas for 4 years was $37.6 billion.

*Environment*

Environmental grants-in-aid to the States for 1977 were $3.7 billion, up 45 percent over 1976. The amount dropped $333 million in 1978 to $3.4 billion for a 9-percent decline. In 1979, however, the amount increased 17 percent to $4.0 billion, and another $624 million was added in 1980, to a $4.5 billion outlay representing a 6-percent increase. Total outlays for grants-in-aid to the States and localities in the Carter years for environment were $15.7 billion.

*Economic development and opportunity*

Outlays for Federal grants-in-aid to the States and localities in this program area were $1.4 billion, an increase of 77 percent over 1976. The next year, 1978, the amount increased by $2.5 billion to $4.1 billion (or by 173 percent). In 1979 economic development and opportunity grants fell by nearly one-third to $2.8 billion, for a 30-percent reduction and in 1980 there was a slight increase of 6 percent to $3.0 billion. The Carter total in this area was $11.6 billion.

*Education*

Federal outlays for 1977 in educational grants-in-aid to the States and local areas were $4.3 billion, up 9 percent from 1976. In 1978 an increase of $656 million (15 percent) brought the total to $5.0 billion. In 1979, a 20-percent increase was posted, bringing the total down to $5.9 billion. In 1980 the outlay was $6.8 billion for a 15-percent increase. The total spent in the 4 years was $21.8 billion.

*Health and welfare*

Total grants-in-aid to the States for health and welfare in 1977 were $22.8 billion, an 11-percent increase from the previous year. In 1978 the outlay was $24.2 billion, and a further $1.8 billion or 7-percent increase came in 1979 to make the outlay $26 billion. The 1980 amount was $28.2 billion, representing an 8-percent rise. The 4-year total was $40 billion in this important area of Carter administration policy.

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TABLE 4.3.—FEDERAL RECEIPTS AND FEDERAL OUTLAYS FOR URBAN-RELATED PROGRAMS 1977–80

[Dollar amounts in billions]

| Year | Federal receipts | Federal outlays urban-related programs | Percent of Federal receipts |
|---|---|---|---|
| 1977 | 365.9 | 46.6 | 12.7 |
| 1978 | 414.3 | 55.4 | 13.4 |
| 1979 | 480.8 | 58.3 | 12.1 |
| 1980 | 525.1 | 64.0 | 12.1 |
| Total | 1,786.1 | 224.3 | 12.6 |

Note.—The total receipts for the 4 years were $1,786.1 billion, with grant-in-aid outlays to the States at $224.3 billion, or 12.6 percent.

## The Consequences of Federal Aid 1977–80

The Carter administration began in 1977 with a major plan to stimulate the economy, and the first suggestion was a temporary tax cut. However, tax cuts were rejected, and other possibilities were considered more seriously. There was a considerable increase in the Federal budget deficit.

The growth of the money supply was greater in the 3 years from 1977 to 1979 than in any other 3-year period since the postwar era. The administration was urging the Federal Government forward to greater expansion. The rapid increase in the money supply caused a rapid increase in total spending. An increase in demand accounted for the return of double digit inflation.[65]

Inflation had reached a 13.3-percent annual rate of increase from December 1978 to December 1979, as measured by the consumer price index.[66] Inflation meant high prices, particularly for medical care and food. The national perception of the harm being done by inflation was not consistent with what the administration was actually doing to combat it. High unemployment and high inflation frightened the American people, and the blame came to rest on President Carter. It was felt he had not done enough to manage the economy, and he was thought of as being ineffective. The Carter administration had identified lowering unemployment as a high priority, as they initiated their economic policy. When unemployment rose further, many people rejected these policies.

The shift from categorical grants to block grants and revenue sharing masked a decline in the overall dollars provided to urban communities. However, the aggressive new Domestic Affairs Council enhanced the quality of policy development and program coordination, and the Carter administration has been best known for the quality of its work in the area of the generation of urban development goals within a well-articulated comprehensive urban policy.

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## CHAPTER 5: THE REAGAN-BUSH YEARS, 1980–84

### The Reagan Philosophy

Ronald Reagan was elected in 1980 over Jimmy Carter by a narrow margin. The Reagan campaign rhetoric featured a philosophy central to the America credo. In his weekly Saturday radio broadcasts fashioned after the fireside chats of President Roosevelt, his various addresses to joint sessions of the Congress, and in other public utterances, President Reagan has talked of an American people who had been hardworking, disciplined, and courageous. He said that the problem with America is that it has become too "socialized" and that we have to take government out of the classroom, out of the courts, and out of the corporations. Deregulation was his motto, and a major goal was reenergizing the traditional American belief that the free market is what has made America strong.[67]

These statements prepared the American people for President Reagan's Legislative Program, which was going to turn back many of the new social programs of the last 24 years. The Economic Recovery Act of 1981 was a key piece of legislation. Reagan called his program "a new beginning" based on his frequently articulated concern for those constituents who were "tough enough to make this country tough."[68]

In his concern for defense, he was hard on Communist nations, viewing the Soviet Union as having a strategy for global domination and for defeating the United States by coming through the Caribbean and Asia to slowly encircle this country. His response to this perceived threat was that the American defense establishment had to be strong. He envisioned U.S. industrial might as the basis for confronting the Russians. If they knew that the United States would not be intimidated and might even initiate a nuclear war, they would be willing to negotiate on terms favorable to the United States.[69]

This outlook guided budgetary and legislative initiatives of the Reagan administration for the next 4 years. It is very important to understand these principles and how they have been applied to almost every aspect of U.S. social policy, national development, and national security during the Reagan administration.



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TABLE 5.1.—ECONOMIC CONDITIONS FOR THE REAGAN ADMINISTRATION

| Indicator | Principal economic indicators | |
|---|---|---|
| | Beginning of administration, 1981 | End of administration, 1983 |
| Unemployment (percent) | 7.5 | 9.8 |
| Inflation (percent) | 10.4 | 3.2 |
| Gross national product (billions of 1972 dollars) | 1,513.8 | 1,534.8 |
| Government surplus/deficit (billions of dollars) | −57.9 | −195.4 |

Source: U.S. President. Economic report of the President. U.S. Government Printing Office, Washington, 1984.

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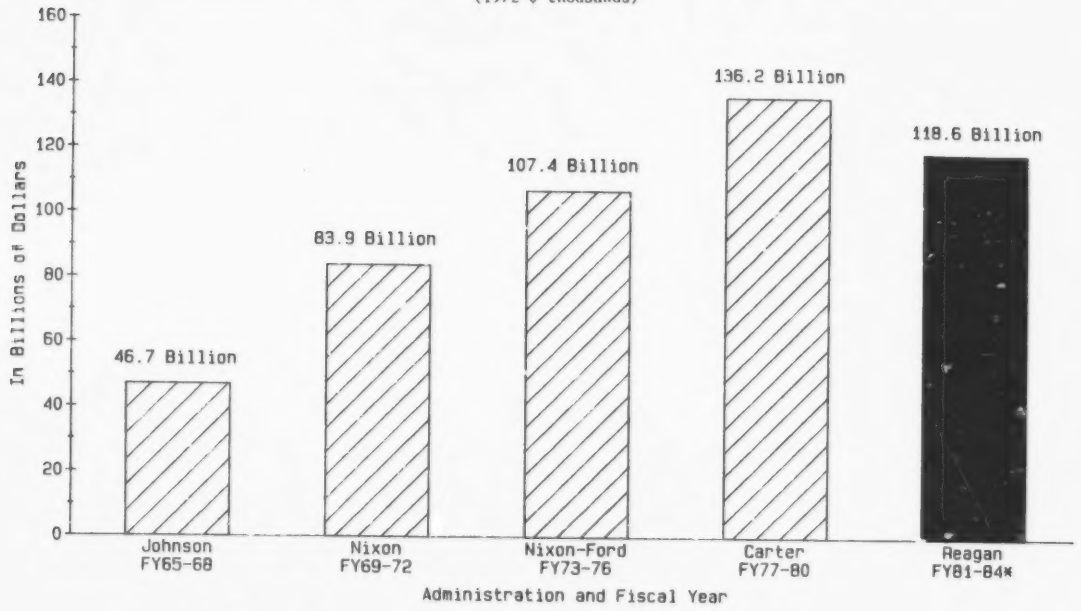
FIGURE 5.1: Total Urban-Related Federal Outlays in Grants-in-Aid, by Administration, 1965-1983

(1972 $ thousands)




* FY84 assumed equal to FY83.

Source: See Methodological Appendix.



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President Reagan is not a strict monetarist. He is primarily an advocate of emphasis on the supply side, which is characteristic of an extreme group within the monetarist school. His belief was that if taxes for business and individuals were diminished, savings and investment would be increased, creating more jobs, and ultimately stimulating consumer demand. He anticipated that tax reductions would also lead to a decline in inflation.

His group set out to prove that supply-side economics is the most appropriate economic policy for this country, one that has not been tried for 50 years.[70] The first steps are to drastically cut nondefense expenditures and to reduce the size of Government. It was thought that these measures would heighten productivity and increase consumer demand. Increasing consumer demand would, in turn, foster expansion of the private sector stimulating the broader economy and leading to recovery. Unemployment would decline, taxes could be lowered further, and inflation would also continue to decline. It would be possible to increase defense expenditures.

Yet there was a serious question about whether or not adequate revenues could be generated with the projected tax cuts. And indeed, this soon materialized as a real problem in large and growing Federal deficits. The deficits were of a magnitude that this country had not seen before, $100 billion to $200 billion annually.[71] They also created problems for the Reagan defense buildup, as some individuals began to argue for cutting the defense budget as a partial remedy. The concern about deficits was very basic to the American people. Many economists and other analysts argued that deficits depressed the economy. By stimulating high interest rates, Government borrowing required to finance the deficit would raise interest rates, depressing business investment and substantially attenuating demand for consumer durables such as automobiles.

These dynamics had a depressing effect on the economy initially and led to a loss of business confidence, producing a major problem for the Reagan administration. The resulting controversy centered around the notion that the deficit, increased defense spending, and tax cuts were inconsistent with the promised balanced budget. The Reagan administration argued that the tax cuts had produced an increase in national income, had raised productivity, and was a cornerstone of the rising recovery. But the tax cuts, were followed by large budget deficits and higher interest rates. Basically, supply-side economics had not worked.[72]

In cutting nondefense expenditures, the Reagan administration effectively punished the poor for being poor, an exercise in blaming the victim that echoed a prominent theme of social policy in the Nixon administration. American social institutions, which were challenged and revitalized over many years of developmental effort, have been constricted. The long promised recovery has not been forthcoming because of increased defense expenditures that have contributed markedly to the budget deficits. And President Reagan has not met the constitutional mandate to provide for the general welfare because his notion is that people have made it without the assistance of the Government, a fiction noted in earlier comments.

The tax cuts was the most important element of President Reagan's Economic Recovery Program. He propounded a need to reduce both corporate and individual income taxes. His rationale was that individual tax burdens had been increasing steadily over the past few years, with inflation pushing individuals into higher and higher marginal rate brackets. He argued that they needed some relief, and that high marginal tax rates acted as a disincentive to work and to save. Lowering these rates would help eliminate those disincentives by allowing individuals to retain a greater share of the output resulting from their productive efforts.[73] "Encouraging saving," they further argued, "would spur the economy to generate more investments and a larger capital stock." Therefore, what the economy needs is an increase in capital, which would increase productivity and the real growth rate of the economy and eventually generate higher real incomes.[74]

This theory rationalized the cutting of tax revenues by 30 percent which was phased in over 3 years—10 percent a year from 1982 to 1985. It was anticipated that this would heal the Nation, restore incentives, and promote economic growth. A major modification of depreciation schedules for plant and equipment was also designed to promote investment, in the hope of spurring job creation and industrial revitalization. A far-reaching regulatory reform program was initiated to alleviate excessive costs and compliance burdens, and to remove unnecessary barriers to economic expansion.

These were the essentials of the supply-side economic recovery program.[75] They were to be accompanied by a $42 billion reduction in 1982 outlays and a dramatic downward shift in Federal spending growth rates, bringing the 16 percent annual growth trend of recent years to about 7 percent for the next fiscal year.[76]

A steady reduction in the Federal deficit was anticipated, resulting in a balanced budget in fiscal year 1984 and modest surpluses thereafter. It was the first comprehensive proposal in more than a decade to overhaul the Nation's overgrown $350 billion entitlement systems. Proposed revisions of food stamp benefits, extended unemployment benefits, trade adjustment assistance, student loans, various secondary and social security benefits, Medicaid and other entitlement programs, as well as other revisions, were suggested. The administration indicated that these changes would save $9.4 billion by 1982, with savings close to $18.9 billion by 1986.[77] Substantial cutbacks or actual elimination of unessential or ineffective Federal programs were proposed, including CETA, Amtrak, energy research and development programs, impact aid and Federal support for the arts, and the proposed consolidation of nearly 100 narrowed categorical grant programs into a few flexible block grants for State and local support of education, health and social services. Savings by 1983, it was said, would exceed $4 billion.[78] Sharp reductions were also proposed for Federal subsidies for economic development, Export Import Bank activities, the dairy industry, along with a substantial reduction in funding for highways, airports, sewage treatment plants, and water projects.

As a result of these broad based cutbacks, the Reagan administration was consistently carrying out the philosophy that the President had anticipated in his election campaign—to cut back Govern-

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ment functions to a minimum (or *laissez-faire* level) in relation to daily lives of the American people. In addition, the cutbacks would represent significant savings, keeping with the supply-side theoretical framework.[79]

The Reagan administration further argued that the last 25 years have been characterized by unsustainable increases in Federal spending. The programmatic growth of the Federal Government has far exceeded the growth in tax revenues.[80] Increases in the individual and corporate tax burden have been enacted and have resulted from automatic increases that occur as income growth moves taxpayers into increasingly higher tax brackets. This, he said, could no longer go on.[81]

The argument, as it was further advanced by the Reagan administration, indicated that in lieu of the physical sprawl and disarray that characterized the Federal budget, the President's plan establishes two firm and overriding priorities: *"sufficient budget resources to rebuild the nation's inadequate defense capabilities and adequate funding of essential social security safety net programs, including cost of living protection for the elderly."*[82] These priorities established one basic notion—that nondefense expenditures were going to be cut and a defense buildup would be initiated well beyond the projections of the Carter administration. It should be mentioned parenthetically that in the transfer of dollars from grants to block grants, ". . . the only real losers are the bureaucratic middlemen, the grantmen, who take funds from the needy."[83] This was a key point in the Reagan administration's rationalization of the major cuts in urban programs. But ultimately the only real losers are the consumers, for there is less money in the aggregate in block grants than in categorical grants, and therefore, if the objective is to cut services to the poor, a switch to block grants with substantially diminished total funding is one clear alternative.

It should be understood that the most conspicuous part of Reagan's economics in his first 2 years in office was not just the dramatic new budget policy, but the tax cuts and the accompanying expenditure cuts.[84] This two-part strategy had a profound impact on urban centers.[85] The monetary policy itself was a complete departure from what this country has seen in the last 50 years. It reflected the thinking of the monetarist school, but an extreme and untried version of it, supply side economics. The main contribution of monetarist thinking has been elucidating the relationship of economic performance to price stability. That in itself was seen as a significant aspect of Reagan policy. As the American people saw inflation diminish, they did not see the level of employment rise. And as of this writing, interest rates are fluctuating again, which could produce the kind of unemployment problems that had been experienced during the Carter administration. The most important factor here is that the rapidly increasing level of defense expenditures coupled with tax cuts produced a deficit of unprecedented magnitude. When Reagan took office, the deficit was $59 billion. In his third year in office it was $181 billion with no relief in sight and threatening to go well over $200 billion by 1984 or 1985.[86] This in itself would produce serious economic instability. The inconsistency of these policies has been reflected in a national uneasiness about

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the economy. Growing defense expenditures and insufficient revenues have resulted in many hardships in the urban centers. As programs were phased out, people started to feel the cuts in dramatic terms in the social malaise and unrest that have characterized the American cities during the last 3 years. It did not take the form of urban violence, as we had seen in the Johnson administration, but was manifested as a passive growing multitude of homeless and hungry city dwellers living on the thin margin of American society.

The following is a table showing Federal funding outlays for grants-in-aid to the States for urban-oriented programs from 1981 through 1983.

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## TABLE 5.2.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, REAGAN ADMINISTRATION, FISCAL YEARS 1981–83 [1]

[in thousands of current dollars]

| | 1981 | 1980–81 actual increase (decrease) | 1980–81 percent increase (decrease) | 1982 | 1981–82 actual increase (decrease) | 1981–82 percent increase (decrease) | 1983 | 1982–83 actual increase (decrease) | 1982–83 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 9,701,706 | 1,845,679 | 23.5 | 9,212,827 | (488,879) | (5.0) | 9,865,399 | 652,572 | 7.1 | 28,779,932 |
| Transportation | 3,834,931 | 634,556 | 19.8 | 3,801,958 | (32,973) | (.9) | 3,680,931 | (121,027) | (3.2) | 11,317,820 |
| Public safety | 308,460 | (140,768) | (31.3) | 159,078 | (149,382) | (48.4) | 69,075 | (90,003) | (56.6) | 536,613 |
| Employment | 7,966,371 | (1,900,506) | (19.3) | 5,513,729 | (2,452,642) | (30.8) | 5,661,640 | 147,911 | 2.7 | 19,141,740 |
| Environment | 4,167,361 | (419,317) | (9.1) | 4,043,811 | (123,550) | (3.0) | 3,243,426 | (800,385) | (19.8) | 11,454,598 |
| Economic development and opportunity | 1,121,205 | (1,852,139) | (62.3) | 391,648 | (729,557) | (65.1) | 268,936 | (122,712) | (31.3) | 1,781,789 |
| Education | 7,478,288 | 589,060 | 8.6 | 7,111,500 | (366,788) | (4.9) | 6,598,949 | (512,551) | (7.2) | 21,188,737 |
| Health and welfare | 33,665,181 | 5,398,837 | 19.1 | 33,325,475 | (339,706) | (1.0) | 36,064,026 | 2,738,551 | 8.2 | 103,054,682 |
| Total | 68,243,503 | 4,155,402 | 6.5 | 63,560,026 | (4,683,477) | (6.9) | 65,452,382 | 1,892,356 | 3.0 | 197,255,911 |

[1] Please see the Methodological Appendix for details concerning the derivation of this table



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Throughout this administration we have seen enormous cuts affecting all areas of urban life. There were spending reductions in transportation, public safety, employment, economic development and opportunity, and health programs. The Economic Development Administration was completely phased out, as well as the Office of Economic Opportunity and its categorical programs. Approximately $42 billion has been cut in human resources during the first 3 years of the Reagan administration, and it is projected that an additional $40 billion will be cut from annual spending to 1989 in the second term of Reagan Presidency.[87]

*Housing*

In 1981 there was an outlay of $9.7 billion dollars for housing, a 23 percent increase over 1980. [The housing industry is a generic industry, and a deliberate management decision was made to increase housing starts by stimulating productivity in many allied industries.] In 1982 there was a $9.2 billion outlay for a $488 million decrease or 5 percent. In 1983 there was a $9.8 billion outlay for a $652 million increase or 7.1 percent. Total outlays for the 3 years in the housing program were $28.7 billion.

*Transportation*

In 1981 there was an allocation of $3.8 billion which was a 19-percent increase over 1980. In 1982 there was a $3.8 billion outlay for a 0.9-percent decrease. In 1983 the outlay was $3.6 billion for a 3.2-percent decrease. Total outlays for the 3 years in the transportation program area were $1.3 billion.

*Public safety*

In 1981 outlays for public safety were $308 million, which was 31 percent less than 1980. In 1982 the outlay was 48 percent less for $149 million. In 1983 the outlay was $69 million or a 56-percent decrease. The total outlay for 3 years in public safety was $536 million.

*Employment*

In 1981 the outlays for employment programs were $7.9 billion, which was a 19-percent decrease. In 1982 the outlay was $5.5 billion for a 30-percent decrease. In 1983 the outlay was $5.6 billion for a 2.7-percent modest increase. The total outlays for the 3 years was $19 billion.

*Environment*

In 1981 the outlay for the environment program area was $4.1 billion. This was a 9-percent decrease from 1980. In 1982 the outlay was $4 billion, which was a decrease of 3 percent or $123 million. In 1983 there was an outlay of $3.2 billion which represented an $800 million decrease, a 19-percent reduction. The total outlays in environment were $11.4 billion.

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*Economic development and opportunity*

In 1981 there was a $1.1 billion outlay for a 62-percent reduction or a $1.8 billion reduction. In 1982 there was a $391 million outlay for a 65-percent reduction or $268 million. In 1983 the outlay was $286 million for a 3-percent reduction or $122 million. Total outlays in this area were $1.7 billion. This was a 158-percent reduction over a 3-year period.

*Education*

In 1981 there was a $7.4 billion outlay, which represented a 8.6-percent increase. In 1982 there was a $7.1 billion outlay for a 4.9-percent reduction or $366 million. In 1983 there was a $6.5 billion outlay for a $512 million or 7-percent reduction. The total outlay for 3 years in education programs was $21.1 billion.

*Health and welfare*

In 1981 there was $33.6 billion outlayed for health and welfare which was a $5 billion or 19-percent increase. In 1982 there was a $333 billion outlay, which was a $339 million or 10-percent increase. In 1983 there was a $36 billion outlay which was an 8-percent increase or $2.7 billion. The total outlay in these areas were $103 billion.

TABLE 5.3.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, REAGAN ADMINISTRATION, FISCAL YEARS 1981–83, IN CURRENT AND CONSTANT DOLLARS

[In thousands of dollars]

| | Current dollars | | | | Constant dollars (1972) | | | |
|---|---|---|---|---|---|---|---|---|
| | 1981 | 1982 | 1983 | Total | 1981 | 1982 | 1983 | Total |
| Housing | 9,701 | 9,212 | 9,865 | 28,779 | 4,755 | 4,204 | 4,228 | 13,187 |
| Transportation | 3,834 | 3,801 | 3,680 | 11,317 | 1,879 | 1,735 | 1,577 | 5,191 |
| Public safety | 308 | 159 | 69 | 536 | 151 | 73 | 30 | 252 |
| Employment | 7,966 | 5,513 | 5,661 | 19,141 | 3,905 | 2,516 | 2,426 | 8,847 |
| Environment | 4,167 | 4,043 | 3,243 | 11,454 | 2,042 | 1,845 | 1,390 | 5,277 |
| Economic development and opportunity | 1,121 | 392 | 269 | 1,781 | 549 | 179 | 115 | 842 |
| Education | 7,478 | 7,111 | 6,598 | 21,188 | 3,665 | 3,245 | 2,828 | 9,738 |
| Health and welfare | 5,388 | 33,325 | 36,064 | 103,054 | 16,502 | 15,210 | 15,458 | 47,170 |
| Total | 68,243 | 63,560 | 65,452 | 197,255 | 33,452 | 29,009 | 28,055 | 90,504 |

## The Consequences of Federal Aid, 1981–83

The drastic Reagan tax and defense policies have required enormous domestic budget cuts that have affected the States and cities. Not since the Great Depression have State and local governments been in such difficult financial straits, finding it hard to meet basic operational costs and human services needs. The combination of these Federal cuts and a severe recession forced State and local governments to reduce services by unprecedented amounts and to raise taxes in passing the burden of the President's domestic budget cuts on to those levels of government.[88] These cuts have primarily affected middle and lower income families, but a great many more Americans will be involved in the long run.

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In 1981 when Mr. Reagan took office, the deficit was $59 billion. As a result of the Reagan economic policies, it went to $110 billion in 1982, in 1983 it was up to $194 billion, and in 1984 it grew to approximately $200 billion.[89] These deficits threaten the very foundation of the U.S. economy, and all but $59 billion of these amounts were generated by Reagan.

The consequences of the Reagan budget can be understood by looking at four principal cities where hearings were held by the House District Committee from 1981 to 1983—namely Washington, DC. Houston, TX, Philadelphia, PA, and Los Angeles, CA. Congressmen Fauntroy, Gray, Leland, and Dymally held hearings in their respective congressional districts. The resulting case studies of the consequences of the Reagan cuts are shown in the hearings documentation, which strongly indicates what we cannot help but see, that the consequences of the Reagan budget cuts have been most severe in urban centers. (See Committee on the District of Columbia; Problems in Urban Centers, Washington, U.S. Government Printing Office, 1980). This has undoubtedly impaired the development of the American people and squelched many opportunities which their social and political institutions have been able to afford for a long time. It is now anticipated that in fiscal year 1986 almost an additional $88 billion will be cut from the budget in domestic spending categories.[90] The American people cannot really afford this.

The resulting homelessness and hunger are the direct result of Reagan administration policies. Poverty is on the increase, and a national crisis may be in the offing in which a great many Americans may lack the minimum survival income.[91] Hunger is on the increase for the first time in many years.[92]

The cost of these domestic cuts is a moral and operational crisis for the United States. And the problem may well cut across all Americans, not just those who are stereotypically thought of as being poor, such as minorities, young women, children, or out-of-school teenagers. It raises a fundamental question about the ability of our Nation to provide a basic decent quality of life and opportunity for the advancement for all Americans, not just the privileged few. The disproportionate burden borne by the needy urban resident, the working poor, has set back U.S. commitments in the eyes of the world, raising questions about what we are able to do for our own, let alone for them. In President Reagan's first State of the Union Address, he declared:

> Together after 50 years of power away from the hands of the people in their State and local communities, we have started to return power and resources to them.[93]

The very opposite has happened. Subtracting Federal grant-in-aid funds from the urban centers and States and replacing them with block grants representing less money forced the elimination of many services.

A recent study found that lower and middle-income families have borne the brunt of the Reagan budget cuts. According to the Congressional Budget Office, the average household earning less than $10,000 suffered losses three times greater than the losses to those earning between $40,000 and $80,000.[94] A recent study by the Children's Defense Fund reported that President Reagan's budget cuts

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have resulted in 700,000 children being thrown off of Medicare and AFDC.[95] And at the same time that the Reagan administration has imposed budget cuts affecting the working poor and middle-income groups, the tax policies have granted huge income or tax bonuses to corporations and high-income individuals. (See section on the net effects of the tax cuts.)

Since President Reagan took office, 30 percent of the taxpayers have seen their Federal taxes rise as much as 66 percent due to inflation and higher social security taxes, while those earning above $200,000 have received a 47-percent reduction. In dollar terms the average taxpayer earning between $10,000 and $15,000 is now paying $365 more in Federal taxes, while those taxpayers earning more than $200,000 on the average are saving nearly $60,000 in Federal taxes with the changes enacted under President Reagan.[96] There has been a disproportionate number of working people bearing the brunt of the cuts based on the policies and assumptions of the Reagan administration. Welfare mothers and AFDC children have had to suffer due to lack of opportunity for services. Individuals who would ordinarily have the opportunity to participate in post-high school training programs have witnessed the development of an America where opportunity for skill development is increasingly closed off other than by way of the traditional secondary school route. Racial minorities and poor people who live in the cities, who ordinarily would be the recipients of services afforded by the States and cities, have been completely shut off from opportunity. Sewer systems of our urban centers are deteriorating. Public housing and hospitals go without the repairs essential to their functions. America is returning to where we came from when we lived under King George, a system of hereditary privilege.

As a result of the cuts we are becoming a society for those who arrive at privileged statuses only to be the accident of their birth. The price this Nation is paying for Reagan's tax and defense policies in human resources terms is much too high. It is robbing America of its moral dignity and its foundation of opportunity to provide access to a decent life for the average citizen.

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## CHAPTER 6: ANALYSIS OF THE STATES—FUNDING LOSSES AND POLITICS

The States did not experience equal or proportionate losses in Federal grant-in-aid funding. It seems apparent that the comparative contributions of States to the Reagan victory in 1980 and the potential relevance of each State to the 1984 reelection effort played an important role in Federal funding decisions with respect to the States, regardless of need or fairness. This is not unusual, and both Democratic and Republican administrations have engaged in such practices in times past, though not in the context of as strong an ideological direction as is characteristic of the Reagan administration.

Indeed, the logic of doing things this way, from the President's perspective, is to use the executive branch itself to build up his support in the States, and therefore, in Congress. Support from the Congress is essential to the success of any President, as it determines the extent to which he will be able to get Congress to pass his legislative program. (See table 6.1 and figure 6.1.) The cohesion of the Republican Party in Congress is extremely important to President Reagan, but beyond this, the strength of the conservative ideological coalition, including both Democrats and Republicans, is important in seeking to develop the needed majorities for the passage of his key legislative initiatives. (See table 6.2, table 6.3, and figure 6.2.) To this end, any President will seek to reward his friends and not his opponents to the extent that the law and the strictures of the national bureaucratic systems will allow. This means that the President and/or his White House staff and Cabinet will encourage the allocation of Federal grants-in-aid in such a way that they accomplish these ends. No breach of law or ethical indiscretion need be involved.



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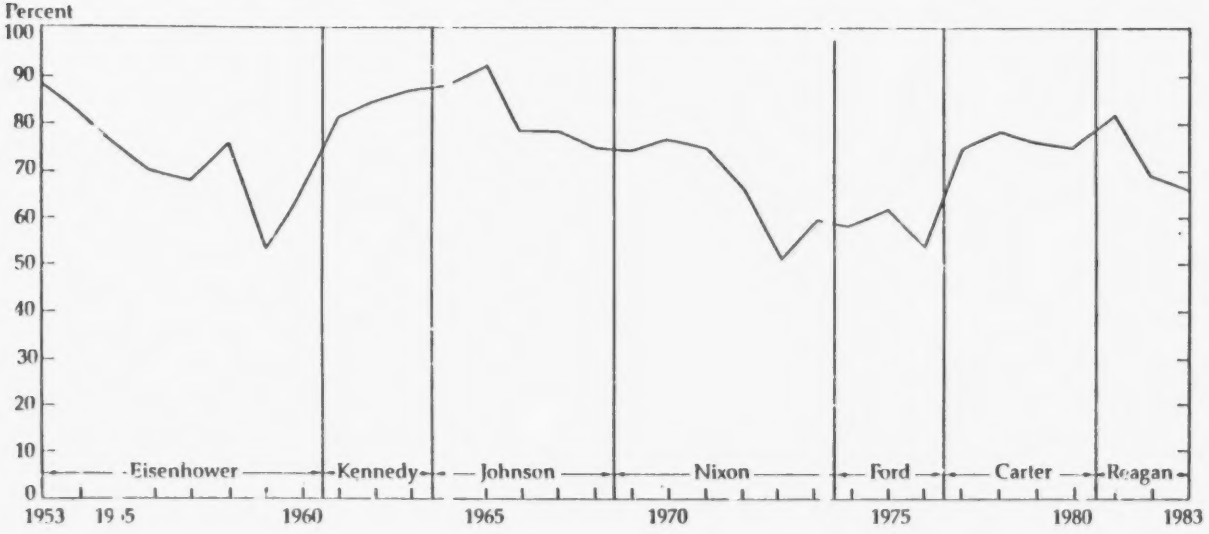
FIGURE 6.1: Presidential Victories on Votes in Congress, 1953-1982




Source: Norman J. Ornstein, et. al. Vital statistics on Congress, 1984-1985 edition. Washington, D.C., American Enterprise Institute for Public Policy Research, 1984.

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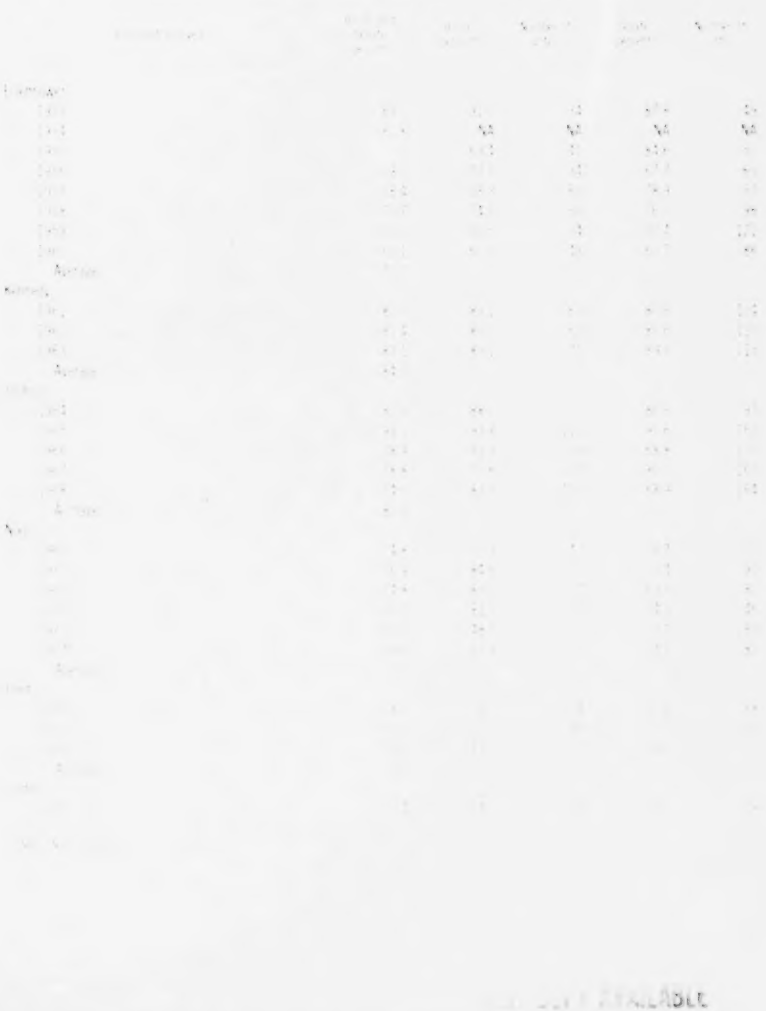
Following its success in the 1980 elections, the Reagan administration apparently sought to further emphasize the South and the West as a basis for building an ever stronger Republican majority in American national politics. This was entirely rational because these are the growth areas in population, as well as in seats in the U.S. House of Representatives.[97] Furthermore, Republican strength has been increasing in these areas over the past decade and more.[98] The Reagan Republicans seem to have generated a *southern strategy* and a *western strategy* designed to augment their strength in these regions, and thus in the House and Senate, raising the prospects for passing more of the Presidential Legislative Program. Such successes would also result in more conservative Republican gains at the State and local levels of Government nationwide.

TABLE 6.1 — PRESIDENTIAL VICTORIES ON VOTES IN CONGRESS, 1953–83



## TABLE 6.2.—CONGRESSIONAL VOTING IN SUPPORT OF THE PRESIDENT'S POSITION, 1954–83

| House | President and year | | | Senate | | |
|---|---|---|---|---|---|---|
| | All Democrats | Southern Democrats | Republican | All Democrats | Southern Democrats | Republicans |
| Eisenhower: | | | | | | |
| 1954 | 54 | NA | NA | 45 | NA | 82 |
| 1955 | 58 | NA | 67 | 65 | NA | 85 |
| 1956 | 58 | NA | 79 | 44 | NA | 80 |
| 1957 | 54 | NA | 60 | 60 | NA | 80 |
| 1958 | 63 | NA | 65 | 51 | NA | 77 |
| 1959 | 44 | NA | 76 | 44 | NA | 80 |
| 1960 | 49 | NA | 63 | 52 | NA | 76 |
| Kennedy: | | | | | | |
| 1961 | 81 | NA | 41 | 73 | NA | 42 |
| 1962 | 83 | 71 | 47 | 76 | 63 | 48 |
| 1963 | 84 | 71 | 36 | 77 | 65 | 52 |
| Johnson: | | | | | | |
| 1964 | 84 | 70 | 42 | 73 | 63 | 52 |
| 1965 | 83 | 65 | 46 | 75 | 60 | 55 |
| 1966 | 81 | 64 | 45 | 71 | 59 | 53 |
| 1967 | 80 | 65 | 51 | 73 | 69 | 63 |
| 1968 | 77 | 63 | 59 | 64 | 50 | 57 |
| Nixon: | | | | | | |
| 1969 | 56 | 55 | 65 | 55 | 56 | 74 |
| 1970 | 64 | 64 | 79 | 56 | 62 | 74 |
| 1971 | 53 | 69 | 79 | 48 | 59 | 76 |
| 1972 | 56 | 59 | 74 | 52 | 71 | 77 |
| 1973 | 39 | 49 | 67 | 42 | 55 | 70 |
| 1974 | 52 | 64 | 71 | 44 | 60 | 65 |
| Ford: | | | | | | |
| 1974 | 48 | 52 | 59 | 45 | 55 | 67 |
| 1975 | 40 | 48 | 67 | 53 | 67 | 76 |
| 1976 | 36 | 52 | 70 | 47 | 61 | 73 |
| Carter: | | | | | | |
| 1977 | 69 | 58 | 46 | 77 | 71 | 58 |
| 1978 | 67 | 54 | 40 | 74 | 61 | 47 |
| 1979 | 70 | 58 | 37 | 75 | 66 | 31 |
| 1980 | 71 | 63 | 44 | 71 | 69 | 50 |
| Reagan: | | | | | | |
| 1981 | 46 | 60 | 72 | 52 | 63 | 84 |
| 1982 | 43 | 55 | 70 | 46 | 57 | 77 |

NA—Not available.

Note.—Percentages indicate number of congressional votes supporting the president divided by the total number of votes on which the president had taken a position. The percentages are normalized to eliminate the effects of absences, as follows: support = (support)/(support + opposition).

Source: Congressional Quarterly Almanac, various years, and Congressional Quarterly Weekly Report, vol. 40 (January 2, 1982).

## TABLE 6.3.—DEMOCRATIC PARTY STRENGTH IN THE HOUSE, BY REGION, 1924–82

| Region | 1924 | 1936 | 1948 | 1960 | 1972 | 1978 | 1980 | 1982 |
|---|---|---|---|---|---|---|---|---|
| South: | | | | | | | | |
| Percent | 97.1 | 98.0 | 98.1 | 94.2 | 68.2 | 71.3 | 64.5 | 71.2 |
| Seats | 104 | 101 | 105 | 104 | 107 | 108 | 107 | 116 |
| Border: | | | | | | | | |
| Percent | 58.7 | 95.2 | 88.1 | 84.2 | 77.1 | 77.1 | 67.6 | 76.4 |
| Seats | 46 | 42 | 42 | 38 | 35 | 35 | 34 | 34 |
| New England: | | | | | | | | |
| Percent | 12.5 | 44.8 | 39.3 | 50.0 | 64.0 | 72.0 | 64.0 | 66.6 |
| Seats | 32 | 29 | 28 | 28 | 25 | 25 | 25 | 24 |
| Mid-Atlantic: | | | | | | | | |
| Percent | 26.7 | 68.0 | 48.9 | 49.4 | 53.8 | 63.8 | 53.8 | 58.3 |
| Seats | 90 | 94 | 92 | 87 | 80 | 80 | 80 | 72 |

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TABLE 6.3.—DEMOCRATIC PARTY STRENGTH IN THE HOUSE, BY REGION, 1924–82—Continued

| Region | 1924 | 1936 | 1948 | 1960 | 1972 | 1978 | 1980 | 1982 |
|---|---|---|---|---|---|---|---|---|
| Midwest: | | | | | | | | |
| Percent | 16.9 | 78.3 | 43.7 | 40.7 | 38.4 | 55.3 | 51.2 | 55.0 |
| Seats | [3] 88 | [4] 83 | 87 | 86 | 86 | 85 | 84 | 80 |
| Plains: | | | | | | | | |
| Percent | 15.4 | 44.8 | 16.1 | 19.4 | 33.3 | 40.0 | 36.0 | 54.2 |
| Seats | [5] 39 | [6] 29 | 31 | 31 | 24 | 25 | 25 | 24 |
| Rocky Mountain: | | | | | | | | |
| Percent | 28.6 | 93.3 | 75.0 | 73.3 | 42.1 | 47.4 | 36.8 | 34.8 |
| Seats | 14 | 15 | 16 | 15 | 19 | 19 | 19 | 23 |
| Pacific Coast: | | | | | | | | |
| Percent | 19.0 | 80.0 | 37.1 | 51.2 | 57.9 | 66.1 | 56.1 | 62.3 |
| Seats | 21 | [7] 30 | 35 | 43 | 57 | 56 | 57 | 61 |

[1] Excludes one seat held by a Socialist from New York.
[2] Excludes one seat occupied by a representative from New York who was a member of the American Labor party.
[3] Excludes one seat held by a Socialist from Wisconsin.
[4] Excludes seven seats held by Progressives from Wisconsin.
[5] Excludes two seats occupied by representatives of the Farmer Labor Party.
[6] Excludes five seats occupied by representatives of the Farmer Labor Party.
[7] Excludes one seat held by a Progressive from ??????

Note.—Numbers refer to the Congress that followed the election. Number of seats is total for all parties in the region (exceptions noted below). Does not include vacant seats. Discrepancy in the number of regional seats before and after 1980 is caused by post-1980 redistricting.

Source: Ornstein, Norman J., et al. Vital Statistics on Congress: 1984-85 Edition. Washington, American Enterprise Institute for Public Policy Research, 1984. p. 10.

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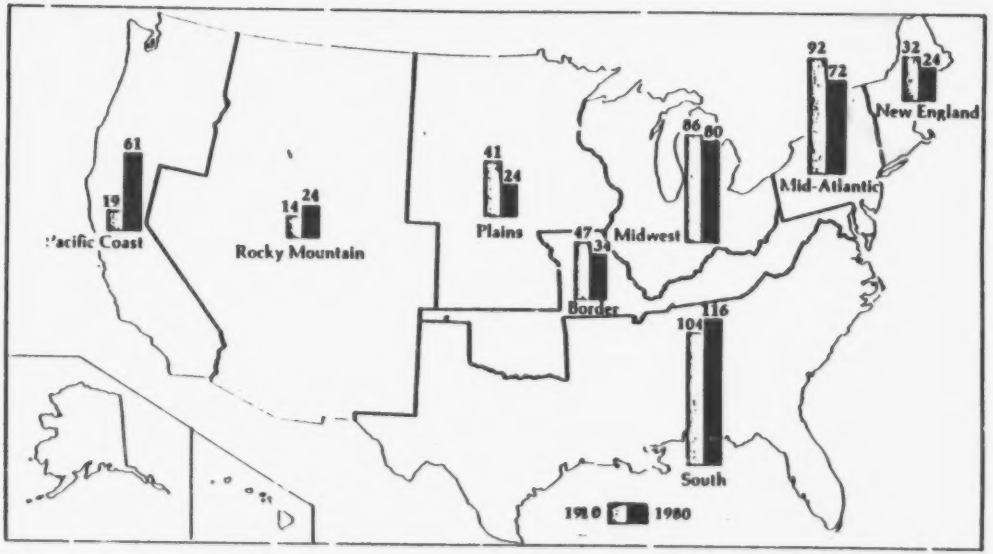
FIGURE 6.2: Apportionment of Congressional Seats by Region, 1910 and 1980




Source: Norman J. Ornstein, et. al. Vital statistics on Congress, 1984-1985 edition. Washington, D.C., American Enterprise Institute for Public Policy Research, 1984.



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In implementing the southern strategy and western strategy, there is substantial flexibility in awarding Federal grants-in-aid. One important feature of the Reagan administration's overall domestic policy framework has been the view that government is too large and too involved in the lives of the American people. The obvious policy implication was for the Federal domestic budget to be cut to the limits allowed by political considerations. But operating within the law and normal ethical considerations, it was possible to soften the blow to political allies in areas of current Republican strength or in the South and West where it was believed the future of the Party exists, while maximizing the burden on political opponents. Maximizing cuts in areas controlled by political opponents would have the potential result of making it difficult for Democrats and liberal Republicans to continue in office because of embarrassing problems in the degeneration of public services relying upon Federal support for the maintenance of their quality.

Therefore, it could be anticipated that the administration, in implementing its southern and western strategies with respect to Federal grants-in-aid to the States, would come down less hard on States in these regions in cutting back Federal support in the hope of consolidating conservative Republican gains there.

While some States have suffered only small per capita cutbacks, others have experienced very substantial losses. The maximum per capita loss in grants-in-aid was experienced by the District of Columbia, with a loss of $682, while the minimum loss was in Texas, with only a per capita loss of $110.[99]

It is impossible to know the decisions made in allocating retrenchments in grants-in-aid without having attended the management meetings in which these decisions were made. However, the patterns in the State-by-State relative magnitudes of cuts are highly suggestive, and it is appropriate to provide a theory of grant-in-aid politics.

## A Theory of Grants-in-Aid Politics

Differences in the cuts are to be explained by the notion that the Reagan administration has sought to—

deprive State level and big city "liberals" of resources, whether Democrats or Republicans,

cut programs to big Democratic cities to put additional pressure on liberal Democratic mayors, thereby enhancing the political possibilities of conservatives,

cut back programs in some States that are conservative so that State policy will resonate with conservative Presidential policy against so-called social programs,

favor a Western and Southern block of States for reelection purposes.

The source for political information is *The Almanac of American Politics, 1984*, while the source of the information on budget cuts is *State of the States*, a publication of the American Federation of State, County and Municipal Employees.

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## Analysis of the States

The following paragraphs briefly address the politics of each of the States, the District of Columbia, and Puerto Rico and offer brief explanations, in each instance, of the reasons for the level of the cutback. The listing is in order of the per capita cuts, from the largest to the smallest.[100]

*District of Columbia*

Rank in per capita cuts, 1; amount of per capita cuts, $682; percent vote for Reagan in 1980, 13; number of electoral votes, 3.

The District of Columbia is a predominantly Democratic jurisdiction, it is also predominantly black, and it lacks political power in the current environment. It is a prime target for budgetary constraint by the Reagan government.

*Alaska*

Rank in per capita cuts, 2; amount of per capita cuts, $458; percent vote for Reagan in 1980, 62; number of electoral votes, 3.

Contemporary Alaska is predominantly Republican. As of 1981, it was represented by two conservative Republican Senators, and though it now has a Democratic Governor, in 1981 the Governor was a Republican. Alaska has had an unusual fiscal condition during the past few years. State revenues from new oil production enabled the State government to repeal its income and sales taxes, and even to send each person residing in Alaska for 6 months or more, a check for $1,000. The need for Federal funding for State programs is, therefore, minimal, and it was easy for the State to get on the Federal expenditure cutting bandwagon.

*Puerto Rico*

Rank in per capita cuts, 3; amount of per capita cuts, $266; percent vote for Reagan in 1980 (not relevant); number of electoral votes, 0.

As a predominantly Democratic territory that is Hispanic and without voting representation in the Congress, Puerto Rico, like the District of Columbia, was very vulnerable.

*New York*

Rank in per capita cuts, 4; amount of per capita cuts, $239; percent vote for Reagan in 1980, 47; number of electoral votes, 41.

Though Reagan carried New York in 1980, he did so without a majority and with only a 3 percentage-point margin over Carter. New York had a Democratic Governor with a high national profile, one of the most liberal Democratic Senators, and a right-wing Republican Senator who won by a very small margin over a liberal Democrat in 1980. New York City represents many of the things that are viewed negatively by the Reagan administration: It is a highly liberal, big eastern city, with a high percentage of impoverished residents, very substantial social programs, and a recent history of financial calamity.

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*Rhode Island*

Rank in per capita cuts, 5; amount of per capita cuts, $237; percent vote for Reagan in 1980, 37; number of electoral votes, 4.

Rhode Island elected Carter in 1980 by majority, and was represented in 1980 by a prominent senior Democratic Senator and a liberal Republican one. Its Governor at the time was a Democrat. Rhode Island was a clear candidate for cutbacks.

*West Virginia*

Rank in per capita cuts, 6; amount of per capita cuts, $233; percent vote for Reagan in 1980, 45; number of electoral votes, 6.

In the Senate, West Virginia is represented by two senior Democrats, one of whom has served as minority leader. Both are moderate-to-liberal Democrats. The Governor is a high-profile liberal Democrat, and Carter carried the State in 1980. West Virginia is a logical target for cutbacks. A major purpose in cutting Federal aid to the State may have been to erode the political base of the minority leader.

*Vermont*

Rank in per capita cuts, 7; amount of per capita cuts, $231; percent vote for Reagan in 1980, 44; number of electoral votes, 3.

In 1980 Vermont was represented by a Republican Senator who opposed many of the Reagan programs, and by a liberal Democrat. The Republican Governor has been a prominent critic of Reagan administration programs. Though Reagan carried this traditionally Republican State in 1980, this was apparently not enough to offset the outspoken opposition of its two Senators and Governor. Vermont became a target.

*Massachusetts*

Rank in per capita cuts, 8; amount of per capita cuts, $226; percent vote for Reagan in 1980, 42; number of electoral votes, 14.

Massachusetts is among the most liberal and most Democratic States in the Union. In 1980 it was represented by two of the most liberal Senators serving in the body at that time, and it also had a Democratic Governor. Reagan carried the State by less than 3,000 votes in 1980 but did not receive a majority of the votes cast. Massachusetts was clearly viewed by conservative Republicans as part of the opposition. This position has been enhanced by the presence of the Speaker of the House of Representatives and the leading current scion of a major American political family as part of the Massachusetts congressional delegation.

*South Dakota*

Rank in per capita cuts, 9; amount of per capita cuts, $225; percent vote for Reagan in 1980, 61; number of electoral votes, 4.

South Dakota is the home of former Senator George McGovern, the most left-wing candidate to be fielded by the Democrats for national office in recent times. The State tends to be liberal isolationist in foreign policy and strongly opposed to political corruption at home, with the result that during the Vietnam war and the Watergate scandals, McGovern liberals were very strong in South

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Dakota. However, this apparent trend was sharply reversed in reaction to the American Indian Movement occupation of Wounded Knee in the early 1970's, and two conservatives represented the State in the U.S. Senate in 1980. The Governor is also a Republican. Under normal circumstances it would be anticipated that this strong new conservative Republican thrust would provide a strong shelter against potential budget cuts. However, it is suggested that many of the special grant-in-aid programs would normally be directed disproportionately to the impoverished Indian population of the State, which was discredited and made a target for retribution by the Wounded Knee occupation. In seeking to punish the Indians, the State government may have offered to sacrifice funding from the Federal Government.

*North Dakota*

Rank in per capita cuts, 10; amount of per capita cuts, $221; percent vote for Reagan in 1980, 64; number of electoral votes, 3.

Traditionally a Republican State, North Dakota was represented in the U.S. Senate in 1980 by a senior but relatively quiet liberal-to-moderate Democrat and a conservative Republican who came into office with the 1980 Reagan sweep. The Governor at that time was also a Republican. Reagan carried the State by a wide margin, garnering 64 percent of the vote. However, the State's only Congressman is a moderate-to-liberal Democrat. The State either represents an anomaly in the general pattern of apparent political decisions on cuts in grants-in-aid, or a case in which the State political leadership, which is predominantly Republican, has wanted to follow Washington's lead by accepting cuts in Federal grants-in-aid willingly.

*Michigan*

Rank in per capita cuts, 11; amount of per capita cuts, $214; per cent vote for Reagan in 1980, 49; number of electoral votes, 21.

Michigan politics is heavily influenced by trade unions. The State sent two liberal Democrats as its representatives to the U.S. Senate, and its State government is headed by a Democrat. Though Reagan carried the State by a good margin in 1980, he did not achieve a majority of the vote. Michigan would certainly be a target for Federal cutbacks in the Reagan administration.

*Maine*

Rank in per capita cuts, 12; amount of per capita cuts, $205; percent vote for Reagan in 1980, 46; number of electoral votes, 4.

Maine was represented by one conservative to moderate Republican and one liberal Democrat in the U.S. Senate in 1980. Its Governor was a Democrat. Reagan achieved a 46- to 43-percent victory over Carter, representing a plurality but not a majority. A Yankee State which is the home of former Senator Edmund Muskie, Maine became a good target for Federal cutbacks.

*Montana*

Rank in per capita cuts, 13; amount of per capita cuts, $203; percent vote for Reagan in 1980, 57; number of electoral votes, 4.

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Winding up the fourth quartile (highest 25 percent) of the distribution of Federal cutbacks, Montana is represented in the U.S. Senate by two liberal-to-moderate Democrats. Its Governor in 1980 was also a Democrat. A State with many liberal, and even radical, strains in its history, Montana clearly becomes a target for Federal grant-in-aid cutbacks, even though President Reagan carried the State with a substantial majority in 1980. As part of the Reagan Western strategy, Montana was vulnerable to cuts, but could be offered as a possible compromise.

*New Mexico*

Rank in per capita cuts, 14; amount of per capita cuts, $204; percent vote for Reagan in 1980, 55; number of electoral votes, 4.

New Mexico is at the top of the third quartile (second 25 percent from the top). Its Governor is one of the best known outspoken liberal Democrats to hold a governorship in the United States. His predecessor, who was Governor in 1980, was also a Democrat, though the State was represented by two Republicans in the U.S. Senate at that time. The State's major city, Albuquerque, has gone Democratic for some time, even against the statewide Republican tide in 1980, which saw a 57- to 37-percent victory for Reagan. The senior Senator, a conservative Republican, worked closely with Reagan administration officials in designing and passing the initial budget cuts, which suggests that he might have volunteered his own State as a candidate for such cuts.

*Ohio*

Rank in per capita cuts, 15; amount of per capita cuts, $199; percent vote for Reagan in 1980, 52; number of electoral votes, 25.

In 1980 Ohio was represented by a moderate Democrat and a liberal Democrat in the U.S. Senate, while the statehouse was occupied by a Republican, who was soon to lose to a Democrat in 1982. Though the State went for Reagan in 1980, it has strong Democratic elements. As one of the leading States of the old industrial core of the United States, however, it can easily be conceived of as a target for cutbacks in Federal support.

*Mississippi*

Rank in per capita cuts, 16; amount of per capita cuts, $195; percent vote for Reagan in 1980, 49; number of electoral votes, 7.

Ranked 16th in the budget cuts, Mississippi is the first of the States of the old South to appear in this ranked listing. This suggests that an effort was made to hold back on the Southern States as one part of the development of a southern strategy. In 1980 its representation in the U.S. Senate was comprised of a senior conservative Democrat and a conservative Republican. Its Governor in that year was a moderate Democrat. The State was carried by Reagan in 1980, but only by a single percentage point. It is speculated that the Senators would support cuts in Federal grants to the State for the purpose of embarrassing the more moderate Democratic Governor. It should also be noted that the State's generally Democratic profile is reflected in the overwhelming Democratic majorities in both houses of the State legislature. Though Mississippi was part of the Republican southern strategy, cutting Federal

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funding by a more devastating amount would have affected low-income blacks and whites in the State, making it easier for conservative Republicans to organize politically.

*Maryland*

Rank in per capita cuts, 17; amount of per capita cuts, $193; percent vote for Reagan in 1980, 44; number of electoral votes, 10.

Maryland is represented in the U.S. Senate by a liberal Republican and a liberal Democrat. Maryland elected Carter in 1980. Its Governor is a Democrat. Its profile makes it a target for cuts by the conservative Republican Reagan administration. It is surprising that this State did not rank higher in the per capita cutbacks. It is conceivable that administration officials may have been willing to compromise on proposed Maryland cutbacks, hoping to draw the State over into a southern strategy.

*New Jersey*

Rank in per capita cuts, 18; amount of per capita cuts, $191; percent vote for Reagan in 1980, 52; number of electoral votes, 17.

New Jersey is a major eastern industrial State with a strongly Democratic orientation. In 1980 it was represented in the U.S. Senate by two of the most liberal Democratic Senators. Its Governor was also a Democrat. It is remarkable that New Jersey was not cut more, though it suffered a large funding loss.

*Pennsylvania*

Rank in per capita cuts, 19; amount of per capita cuts, $188; percent vote for Reagan in 1980, 50; number of electoral votes, 17.

Pennsylvania is historically a Republican State, and in 1980 it was represented by two liberal-to-moderate Republicans in the U.S. Senate. It had a Republican Governor. However, there are two major Democratic strongholds in the State's two major cities, Philadelphia and Pittsburgh, as well as strong Democratic sentiment in the western and northeastern parts of the State; and these areas have contributed to the formation of a congressional delegation comprised of 13 Democrats and only 10 Republicans, and a State senate with both houses about equally balanced between the two parties. Reagan carried the State in 1980, but with a bare majority, and Carter had won it in 1976. The greater than average cutbacks in Federal funding can be viewed as an effort to put pressure on the Democratic machines in Philadelphia and Pittsburgh, which would receive a disproportionate share of the State's Federal support for urban programs.

*Alabama*

Rank in per capita cuts, 20; amount of per capita cuts, $187; percent vote for Reagan in 1980, 49; number of electoral votes, 9.

Alabama is a strongly Democratic State represented in the U.S. Senate in 1980 by a conservative Republican, whose Republican party identification was offset by his status as a war hero; and the other Senator is a moderate to conservative Democrat. The Governor was a Democrat at that time. Reagan carried the State in 1980, but only with a plurality of the vote, and the conservative Republican Senator won office as well. Significantly, the State senate is en-

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tirely Democratic, while only 7 of the 105 members of the State house of representatives are Republicans. With this profile, the State could be high or low in the cutback rankings, but it comes out somewhere in the middle, which is not surprising, especially when it is considered that the principal city, Birmingham, tends to lean toward the Republican party. Alabama was part of the new southern strategy.

*Delaware*

Rank in per capita cuts, 21; amount of per capita cuts, $187; percent vote for Reagan in 1980, 47; number of electoral votes, 3.

A small State historically divided between Democrats and Republicans, Delaware was represented in the U.S. Senate in 1980 by a moderate Republican and a liberal Democrat. The Governor was a very prominent business-oriented Republican, but an advocate of environmental reform. The major body of State voters reside in the suburbs of Wilmington, whose center city is increasingly populated by blacks. Delaware would be a candidate for cutbacks, but not a strong one, and the State is found about one-half the way down the rankings of per capita cuts. It may be that this State was one in which the Reagan administration was willing to compromise in its cutback decision.

*California*

Rank in per capita cuts, 22; amount of per capita cuts, $185; percent vote for Reagan in 1980, 53; number of electoral votes, 45.

The most populous State in the Union, California was represented in the U.S. Senate in 1980 by a liberal Democrat and a conservative Republican, indicating the political diversity of the State. Its Governor at that time was a liberal to moderate Democrat. The urban-oriented Federal grants-in-aid to the States would go to the many cities of California, but most particularly to San Francisco and Los Angeles, both Democratic strongholds. The natural penchant to make California a target for Federal cuts is somewhat offset by the fact that it is President Reagan's home State. California, therefore, falls close to the middle of the cutback rankings. Further, California is part of the new western strategy. With strong help from the White House, the Democratic aspirant to the Governorship was defeated by a conservative Republican.

*Hawaii*

Rank in per capita cuts, 23; amount of per capita cuts, $184; percent vote for Reagan in 1980, 43; number of electoral votes, 4.

Among the most Democratic of States, Hawaii was carried by Carter. It was represented in the U.S. Senate in 1980 by two liberal Democrats, and a Democratic Governor was in the statehouse. Both Congressmen were Democrats, and both houses of the State legislature were overwhelmingly Democratic. Hawaii was part of the Reagan administration's western strategy, and was not cut back more because of this status.

*Kentucky*

Rank in per capita cuts, 24; amount of per capita cuts, $183; percent vote for Reagan in 1980, 49; number of electoral votes, 9.

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Kentucky was represented in the U.S. Senate in 1980 by two moderate Democrats, the Governor was also a Democrat. Reagan carried the State narrowly in 1980, which may have tempered the tendency to cut Kentucky severely because of its Democratic nature. Furthermore, Kentucky was part of the Reagan administration's southern strategy.

*Oregon*

Rank in per capita cuts, 25; amount of per capita cuts, $181; percent vote for Reagan in 1980, 48; number of electoral votes, 6.

Represented in the U.S. Senate by two moderate to liberal Republicans in 1980, Oregon has a liberal Republican background, yet its Governor was a conservative Republican. Reagan carried the State in that year, and Oregon's U.S. Representatives, as well as both houses of State legislature, were predominantly Democratic. Opposing forces meet in the crucible of Oregon politics, placing it at about the middle of the rankings of the States on per capita cutbacks. It might have suffered deeper budget cuts if it had not been part of the Reagan administration's western strategy.

*Illinois*

Rank in per capita cuts, 26; amount of per capita cuts, $181; percent vote for Reagan in 1980, 50; number of electoral votes, 26.

In 1980 Illinois was represented in the U.S. Senate by a moderate Republican and a liberal-to-moderate Democrat. Its Governor was a moderate Republican. Though the State was won by Reagan in 1980, a Democrat was elected to the Senate in that year. Like many States with a mixture of industry and agriculture, Illinois features a major urban settlement centered around a big city dominated by Democrats in a sea of small towns and rural areas dominated by Republicans. This is reflected in the State's congressional delegation and State legislature, which are split by party. It could be anticipated that Illinois might be high on the list for potential Federal budget cuts because of the damage that would be done to the city of Chicago and to its Democratic mayor. However, the State appears about in the middle of the rankings of budgetary cutbacks, which may be explained by the possible unwillingness of the Republican Senator—who was up for reelection—and Governor to sell the city out completely. In recent times Illinois has been a very important State in Presidential elections, and is treated with care by both major parties.

*Tennessee*

Rank in per capita cuts, 27; amount of per capita cuts, $177; percent vote for Reagan in 1980, 49; number of electoral votes, 10.

The State of Tennessee was represented in the U.S. Senate in 1980 by a conservative Republican, who was also the Senate majority leader, and by a moderate Democrat. Its Governor was a moderate Republican with wide support in the State. The State legislature is dominated by Democrats, but Reagan carried Tennessee in 1980, though by less than 5,000 votes. The apparent Presidential aspirations of the State's senior Senator and his importance to the Reagan administration may well have tempered the tendency to

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cut Federal funding to the State. Tennessee is part of the Republican southern strategy.

*Wisconsin*

Rank in per capita cuts, 28; amount of per capita cuts, $176; percent vote for Reagan in 1980, 48; number of electoral votes, 11.

The senatorial representation of the State in 1980 consisted of a liberal-to-moderate Democrat and a conservative Republican, and its Governor was a Republican. It is surprising that this highly urban State with strong industrial and agricultural economic sectors was not harder hit by the budget cuts, though the cuts may have been tempered by its Republican Governor. Wisconsin was another State in which Reagan administration officials may have been willing to compromise Federal budgetary cutbacks. Its Senators hold high-ranking positions on key committees of the U.S. Senate and are important to any administration.

*Connecticut*

Rank in per capita cuts, 29; amount of per capita cuts, $174; percent vote for Reagan in 1980, 48; number of electoral votes, 8.

In 1980 Connecticut was represented in the U.S. Senate by a liberal Republican and a liberal Democrat. The Governor was a Democrat. Given the antipathy between the Reagan administration and the political leadership of this State, it could be expected that Federal spending in Connecticut would be cut back substantially. However, the State is found a shade below the middle of the cutback rankings. Its Senators hold high-ranking positions on key committees in the U.S. Senate, making Connecticut a candidate for Reagan administration compromise on Federal funding cutbacks.

*Idaho*

Rank in per capita cuts, 30; amount of per capita cuts, $171; percent vote for Reagan in 1980, 66; number of electoral votes, 4.

Idaho registered one of the highest wins for Reagan in the 1980 national elections. In 1980 it was represented in the U.S. Senate by two right-wing Republicans, but its Governor was a Democrat, and the Democrats have held the Governorship for years. It is not a highly urbanized State; and though the Governor is a Democrat, little pressure could be placed on him by cutting back Federal spending on urban programs, which would be minimal in this State anyway. It is not surprising to find Idaho toward the bottom of the middle third of the rankings in budgetary cutbacks, especially since it is part of the Reagan administration's western strategy.

*Indiana*

Rank in per capita cuts, 31; amount of per capita cuts, $170; percent vote for Reagan in 1980, 56; number of electoral votes, 13.

A strongly Republican State, Indiana brought Reagan a substantial victory in the 1980 elections. In that year the State was represented by two conservative Republicans in the U.S. Senate. Both houses of the State legislature are dominated by Republicans. It could be anticipated that Indiana would be less damaged by Federal budgetary cutbacks than most other States, and that is the case.

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*Arkansas*

Rank in per capita cuts, 32; amount of per capita cuts, $170; percent vote for Reagan in 1980, 48; number of electoral votes, 6.

Arkansas was narrowly won by Reagan in 1980, with a margin of only some 5,000 votes. At that time the State was represented by two Democrats in the U.S. Senate, a liberal and a liberal-to-moderate. However, the Governor was a Republican, though both houses of the State legislature were almost entirely Democratic. It may be the case that Arkansas was not targeted for the heaviest of cutbacks because of the narrow margin of the Reagan victory in 1980: the Republicans, looking to 1988, may not want to take negative action toward the State that would lessen the chances of another, wider, victory in the next Presidential election. The State is part of the Reagan southern strategy.

*Arizona*

Rank in per capita cuts, 33; amount of per capita cuts, $170; percent vote for Reagan in 1980, 61; number of electoral votes, 6.

Arizona was represented in the U.S. Senate in 1980 by a senior conservative who is dean of the senatorial conservatives and by a moderate Democrat. However, the Governor was a Democrat, though the State legislature was controlled by Republicans. With this heavily Republican profile, Arizona would be expected to be below average in Federal budget cuts. It is also part of the Reagan administration's western strategy.

*Minnesota*

Rank in per capita cuts, 34; amount of per capita cuts, $166; percent vote for Reagan in 1980, 43; number of electoral votes, 10.

Minnesota was represented in 1980 by two moderate Republicans in the U.S. Senate. The Governor was also a Republican. It would be anticipated that Minnesota would be toward the bottom of the cutback rankings, even though Reagan lost the State in 1980 by 4 percentage points to Carter and Mondale.

*Washington*

Rank in per capita cuts, 35; amount of per capita cuts, $165; percent vote for Reagan in 1980, 50; number of electoral votes, 9.

The State of Washington was represented by two moderate to liberal Senators in 1980, one Democrat and one Republican. The Governor was then a Republican. Because of the apparent strong Republican emphasis in the State, it could be anticipated that the cutbacks would be below average. Furthermore, the State is part of the western strategy.

*South Carolina*

Rank in per capita cuts, 36; amount of per capita cuts, $158; percent vote for Reagan in 1980, 49; number of electoral votes, 8.

In 1980 South Carolina was represented in the U.S. Senate by a senior conservative Republican and a moderate Democrat. The Governor was a Democrat. With limited urbanization, it was unlikely that the cutbacks for big cities in the Federal budget would have a major impact on the State. Because of the presence of a

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senior conservative Republican in the State's brace of senatorial representatives, it could be anticipated that the impact of Federal cutbacks would be lower than in most other States. South Carolina is also part of the Republican southern strategy.

*Louisiana*

Rank in per capita cuts, 37; amount of per capita cuts, $157; percent vote for Reagan in 1980, 51; number of electoral votes, 10.

In 1980 Louisiana was represented in the U.S. Senate by a senior conservative Democrat and a conservative-to-moderate Democrat. The Governor was a conservative Republican. The overall cast of the State is essentially conservative, though Democrats make up a significant part of it. It could be predicted that the State would not suffer much from the Federal budget cuts under the Reagan administration, not even to get at New Orleans, which is in the hands of the Democrats. Furthermore, Louisiana is part of the Reagan administration's southern strategy.

*Iowa*

Rank in per capita cuts, 38; amount of per capita cuts, $156; percent vote for Reagan in 1980, 51; number of electoral votes, 8.

Iowa in 1980 had two conservative Republican Senators and a Republican Governor. Without substantial urbanization, cutbacks in Federal funding for the cities would not hurt the State, but the cutbacks were limited anyway.

*Missouri*

Rank in per capita cuts, 39; amount of per capita cuts, $156; percent vote for Reagan in 1980, 51; number of electoral votes, 12.

In 1980 Missouri was represented in the U.S. Senate by a liberal Democrat and a moderate Republican. The Governor, elected in that year, was a Republican. With a new Republican Governor, the cutbacks could have gone either way—high or moderate. It is observed that the cutbacks in Missouri were limited in comparison to those of many other States. Reagan carried the State over Carter by 51 percent to 44 percent in 1980, while Ford had lost it to Carter by a margin of 4 to 5 percentage points. Going easy on Missouri might represent an effort to assure that Missouri remains Republican under the newly elected (1980) Republican Governor, who could be made to look good if cuts are minimal.

*North Carolina*

Rank in per capita cuts, 40; amount of per capita cuts, $149; percent vote for Reagan in 1980, 49; number of electoral votes, 13.

North Carolina was represented in the U.S. Senate in 1980 by two of the most conservative Republican members of that body. The Governor was a somewhat more moderate Democrat. The senior Senator has been very close to the Reagan administration and it can be imagined that no major cuts affecting the well-being of North Carolina's major cities would be easily adopted. It is not surprising to find North Carolina in the lower third of the cutback rankings, and to be sure, the State is part of the Reagan administration's southern strategy.

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*Oklahoma*

Rank in per capita cuts, 41; amount of per capita cuts, $149; percent vote for Reagan in 1980, 60; number of electoral votes, 8.

Oklahoma was represented in the U.S. Senate in 1980 by a conservative-to-moderate Democrat and a newly elected conservative Republican. The Governor was a Democrat. In 1980 the State was carried by Reagan by a wide majority. And though both houses of the State legislature were then dominated by Democrats, the overwhelming character of the State is conservative. Because of this, it could be anticipated that Oklahoma would be at the bottom of the cutback rankings. The State is clearly part of the Reagan administration's southern strategy.

*Georgia*

Rank in per capita cuts, 42; amount of per capita cuts, $148; percent vote for Reagan in 1980, 41; number of electoral votes, 12.

In 1980 the State of Georgia was represented in the U.S. Senate by a moderate-to-conservative Republican. The Governor was a Democrat. Because of the conservative nature of this Southern State and the Republican hope in winning this and other Southern States in the future, it could be anticipated that the budget cuts would not weigh so heavily here, and indeed, Georgia is found in the lower part of the State budgetary cutback rankings. It is part of the Reagan southern strategy.

*Nevada*

Rank in per capita cuts, 43; amount of per capita cuts, $148; percent vote for Reagan in 1980, 63; number of electoral votes, 3.

In 1980 Nevada gave one of the widest margins of victory to Reagan. It was then represented in the U.S. Senate by a conservative Republican, who is very close to the White House, and by a conservative Democrat. The conservative Republican Senator has played a very strong role in national Republican politics and was later selected to chair the Reagan reelection effort. The Governor was a Republican. With this strong Republican and conservative position, Nevada is found in the lowest part of the cutback distribution. The State is part of the Reagan administration's western strategy.

*Wyoming*

Rank in per capita cuts, 44; amount of per capita cuts, $134; percent vote for Reagan in 1980, 63; number of electoral votes, 3.

Like Nevada, Wyoming gave Reagan a wide margin of victory in 1980. Its U.S. Senators were then two conservative Republicans, and its lone Member of the House of Representatives was also a conservative Republican. The Governor was a Democrat strongly identified with local issues. With this strong conservative Republican profile, Wyoming was one of the least hurt States in the Federal cuts. And it is also part of the western strategy.

*Utah*

Rank in per capita cuts, 45; amount of per capita cuts, $133; percent vote for Reagan in 1980, 73; number of electoral votes, 4.

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Utah supported Reagan in 1980 by a wider margin than any other State. It was then represented in the U.S. Senate by two conservative Republicans. The Governor, though a Democrat, had a rather conservative profile. Both houses of the State legislature have substantial Republican majorities. With this strong Republican cast, Utah is close to the bottom of the cutback rankings, and it also is part of the Reagan administration's western strategy.

*Florida*

Rank in per capita cuts, 46; amount of per capita cuts, $132; percent vote for Reagan in 1980, 56; number of electoral votes, 17.

In 1980 the State of Florida was represented in the U.S. Senate by a moderate-to-conservative Democrat and a newly elected conservative Republican. The Governor was a Democrat, and both houses of the State legislature featured substantial Democratic majorities. With the large margin of the Republican victory in 1980 and the conservative outlook of its Senators, Florida is near the bottom in Federal budget cuts. The Reagan administration's southern strategy also played a role here.

*New Hampshire*

Rank in per capita cuts, 47; amount of per capita cuts, $129; percent vote for Reagan in 1980, 58; number of electoral votes, 4.

Reagan carried the State of New Hampshire by a large margin—58 percent to a combined total of 41 percent for Carter and Anderson—in the 1980 elections. It was represented in the U.S. Senate in 1980 by two Republicans, a conservative and a conservative-to-moderate. The State has a very strong Republican tradition, though it has sometimes elected Democrats to statewide public office, including its Governor elected in 1980. It is found close to the bottom of the budget cut rankings.

*Virginia*

Rank in per capita cuts, 48; amount of per capita cuts, $129; percent vote for Reagan in 1980, 53; number of electoral votes, 12.

The Republicans carried Virginia in the 1980 election, and were represented in the U.S. Senate by a conservative Republican and a conservative independent at the time. The Governor was also a Republican. A strongly conservative State, Virginia suffered much less than most States in the Federal cutbacks. It is part of the Reagan southern strategy.

*Colorado*

Rank in per capita cuts, 49; amount of per capita cuts, $128; percent vote for Reagan in 1980, 62; number of electoral votes, 7.

Colorado was carried by the Republicans in the national elections of 1980 by a very large margin, yet it was represented in the U.S. Senate by a conservative Republican and a liberal Democrat. The Governor, an outspoken representative of the interests of the West, was a Democrat. Both houses of the State legislature were firmly in the control of the Republicans. With this pattern, Colorado could have appeared higher in the cutbacks, but it is close to the bottom because it is part of the Reagan administration's western strategy.

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*Kansas*

Rank in per capita cuts, 50; amount of per capita cuts, $117; percent vote for Reagan in 1980, 58; number of electoral votes, 7.

In 1980 Reagan carried Kansas by a wide margin, and was represented in the U.S. Senate by two Republicans, one a senior conservative, the other a moderate. Both houses of the State legislature were in the hands of the Republican Party. The State suffered less than almost all others from Federal budget cutbacks.

*Nebraska*

Rank in per capita cuts, 51; amount of per capita cuts, $111; percent vote for Reagan in 1980, 66; number of electoral votes, 5.

Nebraska was carried by the Republicans in 1980 by a landslide. At that time it was represented by two Democrats, one a conservative, the other a moderate. The Governor was also a Democrat, but the unicameral State legislature was dominated by Republicans. It is suggested that the overwhelming support for Reagan in 1980 kept this State from suffering more from Federal cutbacks.

*Texas*

Rank in per capita cuts, 52; amount of per capita cuts, $110; percent vote for Reagan in 1980, 55; number of electoral votes, 26.

Ranking only a shade below Nebraska in the per capita budget cut rankings, Texas was carried by the Republicans in 1980 by a large margin. In that year it was represented in the U.S. Senate by a senior conservative Republican and a moderate Democrat, and the Governor was a Republican. It is the home State of Reagan's Vice President and also of his White House Chief of Staff, and figures prominently in the administration's western strategy. Of all the States that experienced Federal budget cuts, Texas was hurt least.

## Conclusions

It is clear that the budget cuts have not been evenly distributed across the States, the District of Columbia, and Puerto Rico. Some States had their Federal funding cut dramatically, while others have suffered much less. In the quest for an explanation of the differential cutbacks, two regularities have emerged:

The States seem to be divided into three general categories (see table 6.5 and exhibit 6.3):

—States that were clearly to be made *primary targets* for cuts because of their predominantly Democratic status,

—States that were clearly to be *comparatively spared*, including predominantly Republican States or those which figured in the apparent western and southern strategies of the Reagan administration,

—States that were *marginal*, where some compromise was possible on cutbacks in Federal grants-in-aid, mainly because they were represented in the U.S. Senate by Democrats who were important members of key Senate committees, whose opposition could be extremely damaging to administration legislative initiatives.

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## TABLE 6.4.—RANKINGS IN 1982–84 PER CAPITA LOSSES IN FEDERAL GRANTS-IN-AID

| Rank | State | Per capita loss |
|---|---|---|
| 1 | District of Columbia | $682 |
| 2 | Alaska | 458 |
| 3 | Puerto Rico | 266 |
| 4 | New York | 239 |
| 5 | Rhode Island | 237 |
| 6 | West Virginia | 233 |
| 7 | Vermont | 231 |
| 8 | Massachusetts | 226 |
| 9 | South Dakota | 225 |
| 10 | North Dakota | 221 |
| 11 | Michigan | 214 |
| 12 | Maine | 205 |
| 13 | Montana | 203 |
| 14 | New Mexico | 201 |
| 15 | Ohio | 199 |
| 16 | Mississippi | 195 |
| 17 | Maryland | 193 |
| 18 | New Jersey | 191 |
| 19 | Pennsylvania | 188 |
| 20 | Alabama | 187 |
| 21 | Delaware | 187 |
| 22 | California | 185 |
| 23 | Hawaii | 184 |
| 24 | Kentucky | 183 |
| 25 | Oregon | 181 |
| 26 | Illinois | 181 |
| 27 | Tennessee | 177 |
| 28 | Wisconsin | 176 |
| 29 | Connecticut | 174 |
| 30 | Idaho | 171 |
| 31 | Indiana | 170 |
| 32 | Arkansas | 170 |
| 33 | Arizona | 170 |
| 34 | Minnesota | 166 |
| 35 | Washington | 165 |
| 36 | South Carolina | 158 |
| 37 | Louisiana | 157 |
| 38 | Iowa | 156 |
| 39 | Missouri | 152 |
| 40 | North Carolina | 149 |
| 41 | Oklahoma | 149 |
| 42 | Georgia | 148 |
| 43 | Nevada | 148 |
| 44 | Wyoming | 134 |
| 45 | Utah | 133 |
| 46 | Florida | 132 |
| 47 | New Hampshire | 129 |
| 48 | Virginia | 129 |
| 49 | Colorado | 128 |
| 50 | Kansas | 117 |
| 51 | Nebraska | 111 |
| 52 | Texas | 110 |

Source: American Federation of State, County and Municipal Employees. State of the States. Washington, DC, 1984

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TABLE 6.5.—POLITICAL CATEGORIES OF STATES FOR BUDGET CUTS [1]

| States of Democratic status or opposed to the administration | Marginal States with mixed politics or whose Senators are important to administration programs | States of Republican status, in southern or western strategy, or favorable to the administration |
|---|---|---|
| (1) District of Columbia | (2) Alaska | (14) New Mexico |
| (3) Puerto Rico | (9) South Dakota | (16) Mississippi |
| (4) New York | (10) North Dakota | (20) Alabama |
| (5) Rhode Island | (12) Maine | (22) California |
| (6) West Virginia | (13) Montana | (23) Hawaii |
| (7) Vermont | (17) Maryland | (24) Kentucky |
| (8) Massachusetts | (19) Pennsylvania | (25) Oregon |
| (11) Michigan | (21) Delaware | (27) Tennessee |
| (15) Ohio | (26) Illinois | (30) Idaho |
| (18) New Jersey | (28) Wisconsin | (31) Indiana |
| | (29) Connecticut | (32) Arkansas |
| Average rank = 7.8 | (39) Missouri | (34) Minnesota |
| | | (35) Washington |
| Average per capita loss in Federal funding = $271 | Average rank = 18.8 | (36) South Carolina |
| | | (37) Louisiana |
| | Average per capita loss in Federal funding = $214 | (38) Iowa |
| | | (40) North Carolina |
| | | (41) Oklahoma |
| | | (42) Georgia |
| | | (43) Nevada |
| | | (44) Wyoming |
| | | (45) Utah |
| | | (46) Florida |
| | | (47) New Hampshire |
| | | (48) Virginia |
| | | (49) Colorado |
| | | (50) Kansas |
| | | (51) Nebraska |
| | | (52) Texas |
| | | Average rank = 35.8 |
| | | Average per capita loss in Federal funding = $156 |

[1] Rankings in cutbacks are in parentheses following each State

There seems to be an operative southern strategy and an operative western strategy in what the Reagan administration has done. States in either the South or West have not been as hard hit as those in other regions.

It can be easily imagined that the utilization of such political criteria for the allocation of budgetary cutbacks would not be in the best interests of the country as a whole. Without an unflagging emphasis on need, such distributional decisions will without a doubt, generate more problems in the long run than they will solve. Cities needing resources for building new infrastructure or for maintaining existing infrastructure at safe and acceptable levels will not receive adequate Federal assistance to these tasks. Cities needing help with human services in times of economic setbacks will not be adequately supported. And many other urban needs in many locales that do not have the requisite political characteristics will go unheeded. It will not be long before difficulties of crisis proportions develop in many of these urban areas if Federal funding continues to be distributed differentially in accordance with political criteria.

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It should be noted that some of the Federal grants-in-aid are entitlements, and are distributed accordingly and with no political bias. However, many others are not entitlements and are subjected to political decisionmaking. And it should also be noted that the subjection of these State aid decisions to politics is not new to the Reagan administration, nor is it exclusively characteristic of Republican administrations. However, in the context of the ideological posture of the Reagan administration, this results in an unprecedently blatant disregard for the needs of major segments of the American urban population.

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## CHAPTER 7: THE IMPACTS OF THE BUDGET CUTS ON THE DISTRICT OF COLUMBIA

The District of Columbia suffered the highest loss in the country, with a per capita cut of $682.[101] The cuts were primarily in health care, social services, and education. This jurisdiction fared far worse than neighboring States, where Maryland lost $261 per capita and Virginia $173 per capita—Twenty to twenty-five percent of average State and local government revenue from the Federal Government, primarily in the form of Federal grant-in-aid funding.[102] Severe cuts in Federal aid, therefore, generate strong immediate pressure on the financial position of a great many municipalities.

Among the programs the District government had to cut back were handicapped education, juvenile justice, preventive health, alcohol and drug abuse programs, mental health, Medicaid, rehabilitative services, Aid to Families With Dependent Children [AFDC], community services, subsidized housing, and urban mass transit.[103]

The District of Columbia ranked in the top 5 States in losses for 12 other programs, including programs for educationally deprived children, energy conservation, employment training, and economic development.[104] The government of the District of Columbia also had to cut back on its services in human resources programs.

Essential services had to be cut in the District of Columbia, creating a vacuum and overloading those private sector agencies that were either providing or coordinating services. In addition, deficits were caused in the District of Columbia operating budget, resulting in the forced closing of some fire houses, especially in the low income communities, and the layoff of some 11 percent of city work force. In May 1984, a Washington Post article indicated that the D.C. unemployment compensation fund was overdrawn by $70 million.[105]

The District of Columbia was being strained by the high number of people who were unemployed, many of whom were Federal workers laid off in Reagan reductions-in-force in Federal agencies and unemployed young people between the ages of 16 and 24. Unemployment in the District among the young, aged 16 to 24, leads the country.

Some obvious effects of cutbacks and layoffs have been increasing homelessness and poverty as manifested in increasing demands on District of Columbia social services agencies and religious institutions, which are now overtaxed.[106] There are more homeless shelters (37) than ever before. On two occasions when the District government distributed free cheese to the hungry at centers around the city, residents lined up before dawn to await these gifts. There was a referendum on the ballot in the 1984 District of Columbia elections concerning the provision of shelter for the home-



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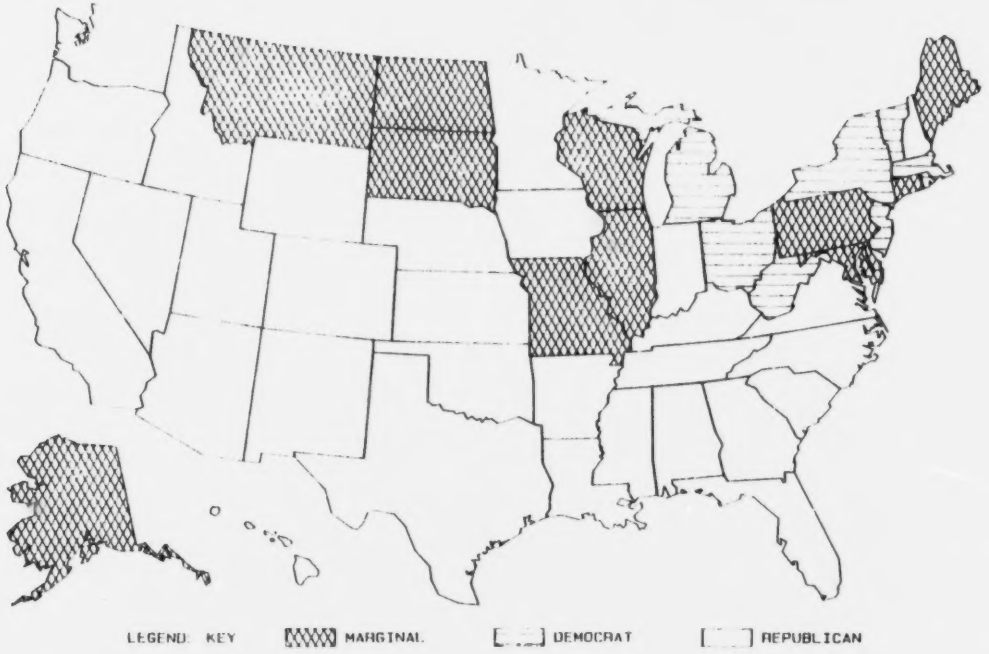
FIGURE 6.1: Partisanship of States, 1980




Source: Based on data from the Almanac of American politics, 1984.



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less. In spite of statements by local public officials that no funds existed to support this, the initiative passed by a wide margin. It cannot be funded by existing District of Columbia revenues.

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## CHAPTER 8: THE IMPACTS OF CUTBACKS ON SPECIAL URBAN POPULATIONS

### Special Impacts of the Reagan Budget Cuts on Poverty in America

The population below the poverty level increased from 12 percent in 1979 to 14 percent in 1981. And it had risen to 15 percent by 1983.[107] The number of persons classified as poor has increased by over 6 million from 1979 to 1983.[108] The recession and the rise in inflation contributed greatly to these increases. The increase in poverty in the United States is widespread. In 1981, 21 million whites, 9.2 million blacks, and 3.7 million persons of Hispanic origin were below the poverty level. Poverty rates rose for all groups, but the burden remained lighter for whites than for blacks and Hispanics. Poverty among families headed by women increased from 11 percent to 15 percent in 1982.[109]

Prior to the increases of 1980 and 1981, the overall poverty rate had more or less stabilized at about 12 percent for the decade between 1969 and 1979.[110] However, the overall metropolitan poverty rate was 12.6 percent in 1981, with central cities having a higher rate (18.0 percent) than other areas in metropolitan areas (8.9 percent). All of the four major regions had increased poverty rates, and the overall poverty rate was at its highest level since 1967.[111]



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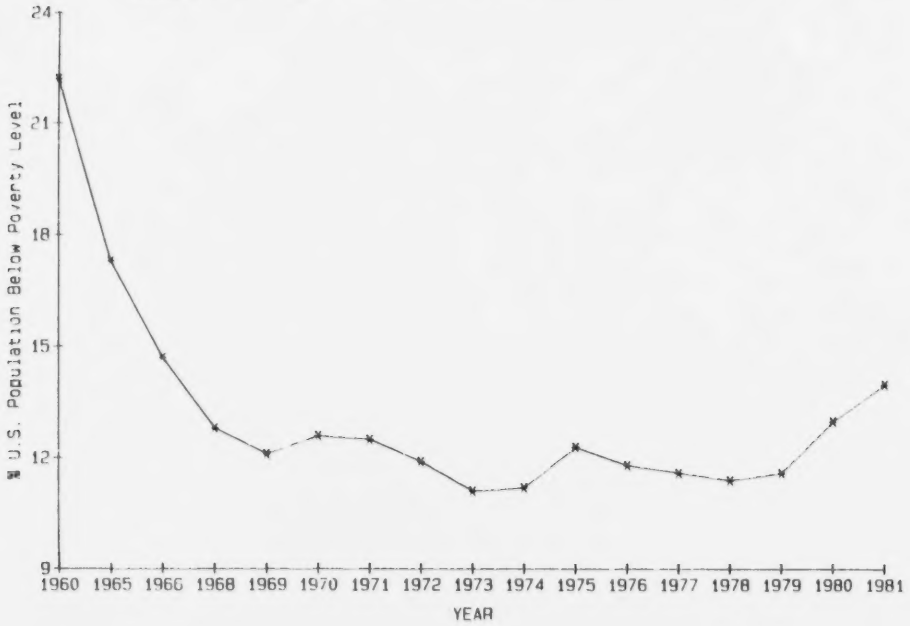
FIGURE 8.1: Percentage of U.S. Population below the Poverty Level, 1960-1982




Source: U.S. Department of Commerce. Bureau of the Census. Current population reports. Series P-60, Nos. 138 and 140.



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TABLE 8.1.—*Profile of the Poor, 1984*

| | Percent |
|---|---|
| Sex: | |
| Males | 43.0 |
| Females | 57.0 |
| Age: | |
| Under 16 | 35.4 |
| 16-21 | 11.7 |
| 22-24 | 29.9 |
| 45-54 | 5.7 |
| 55-64 | 6.8 |
| 65 plus | 10.5 |
| Race: | |
| White | 67.8 |
| Black | 28.0 |
| Hispanic | 12.0 |
| Region: | |
| Northeast | 18.6 |
| North Central | 24.2 |
| South | 38.2 |
| West | 19.0 |
| Residence: | |
| Urban | 61.7 |
| Small town or rural | 38.3 |

Source: U.S. News & World Report.

## SPECIAL IMPACTS OF THE REAGAN BUDGET CUTS ON THE HISPANIC URBAN POPULATION

Though perceived by many as rural, Hispanics are predominantly an urban population in the United States. Fully 88 percent live in metropolitan areas according to 1980 census, compared to 75 percent of the general population and 81 percent of blacks. Fifty percent of U.S. Hispanics live in the central cities of metropolitan areas. This is far more than the approximately 30 percent of the general population living in central cities.[112] The U.S. Hispanic population numbers at least 15 million as of 1983, plus an uncounted number of illegal immigrants. The total Hispanic population from Central and South America has increased by approximately 60 percent since 1970. Hispanics are younger than the general U.S. population and older than blacks. In 1980 the median age was 23 compared to 30 for the total U.S. population.[113]

Due in part to language problems, Hispanics face many barriers to assimilation and education. Approximately 80 percent of the students enrolled in bilingual programs are Hispanics. Except for Cubans, Hispanics have less education and lower family incomes, and are more likely to be living in poverty than the general U.S. population.[114] Hispanics lag behind whites as a whole in average educational attainment.[115] And the Hispanic jobless rate is typically 40 to 50 percent higher than overall unemployment, though not as high as that of blacks, which is usually double the national rate. Among Hispanics, Puerto Ricans have the highest unemployment rate, and Cubans the lowest.[116] The lower unemployment rate of Cubans is due to their higher average education and age, as joblessness is usually lower among more mature, stable, experienced older workers. Sixty percent of Cubans are over 35, compared to 36 percent of Puerto Ricans.

In 1981 close to 800,000 Hispanic families, or 24 percent of all Hispanic families, were classified as poor by the Census Bureau,

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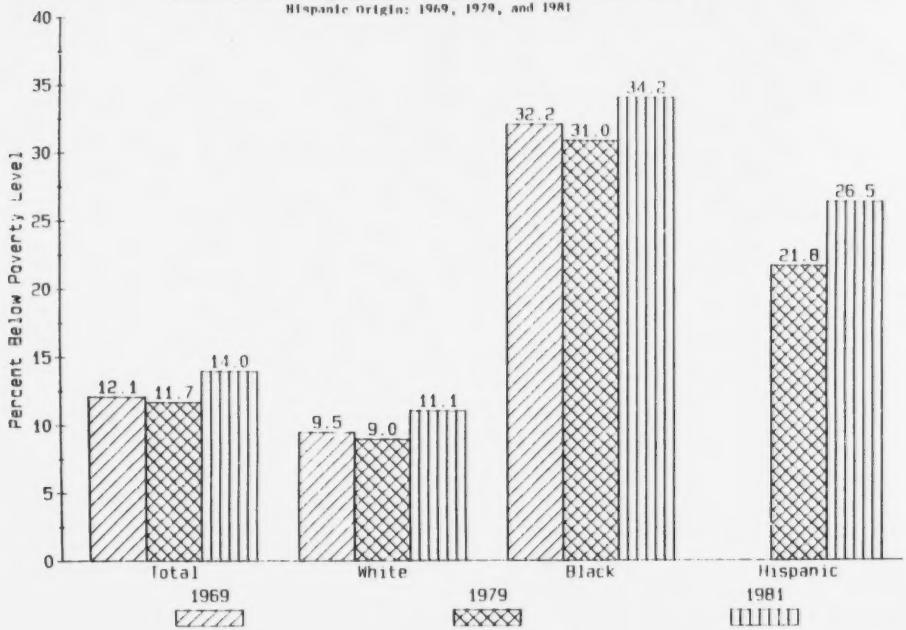
compared to 8.8 percent of all white families. Since 1980 the poverty rate of Hispanics has been increasing. It has gone from 20 percent in 1979 to 24 percent in 1981.[117]

The Hispanic population is concentrated in a few States. They live mainly in Texas (20 percent), California (31 percent), Illinois (4 percent), Florida (6 percent), and New York (11 percent); and 18 percent of the Hispanic population lives in other areas. In these areas, as mentioned before, they tend to be urban dwellers.

The Reagan budget cuts, especially as related to specialized programs in Federal grants-in-aid, have generated unique problems contributing to the rise in the Hispanic poverty rate. For example, about 19 percent of Hispanic households received food stamps, and 45 percent contained children receiving free or reduced price school lunches.[118] In spite of their gains in the last 20 years, Hispanics have recently experienced increased unemployment and impoverization. The budgetary cuts have drastically affected their survival, as with all groups below the poverty line.

FIGURE 8.2: Percentage of Persons below the Poverty Level, by Race an Hispanic Origin: 1969, 1979, and 1981




Note: Hispanic data were not available for 1969.

Source: U.S. Department of Commerce. Bureau of the Census. Population profile of the United States: 1982. Current population re ts, Special studies. Series P-23, No. 130.



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## Special Impacts of the Reagan Budget Cuts on the Urban Black Population

The status of urban black Americans, who were recent migrants from rural areas, presents a special problem. Within major urban communities, especially in the Northeast where they make up the majority or significant minority of the population, black Americans have suffered not only from the drastic cuts in domestic expenditures, but also from a reversal of Federal policymaking mechanisms for the enforcement of civil rights. Part of the urban economic plight of black Americans has resulted from the factor of discrimination in the areas of schooling, housing, education, and the provision of many urban services. The Federal Government has historically played a role in enforcing civil rights to enhance equal opportunity. In particular, the affirmative action mechanism in employment has enhanced the social mobility of black Americans. However, the Reagan administration abandoned this in favor of a policy of "benign neglect," similar to that of the Nixon/Ford years. They have discouraged any assertive effort by the Department of Justice's Civil Rights Division, the Equal Employment Opportunity Commission, or the U.S. Commission on Civil Rights.

This has affected black urban residents, who perceive that the Government is no longer supportive of the opportunity systems which have been basic Federal policy for the last 20 years. Black and other minority urban residents have a sense of hopelessness which is compounded by the recent lack of economic vitality in the United States. Joblessness in minority communities is extremely high: teenage joblessness runs 50 to 60 percent, and adult joblessness runs 20 percent, twice that of the white community.[119] Income levels have dropped since the 1970's, and black family earnings are only 50 to 60 percent of those of whites. It is easy for black urban residents to conclude that the administration is not only economically conservative and benignly neglectful, but also explicitly very negative toward them. Black urban America has borne the brunt of the domestic budget cuts during the Reagan administration, particularly in the lack of job training and employment opportunities, and has seen its existence in the urban community deteriorate. The budget cuts have eroded services provided by the cities and States, and the resulting individual problems of the restriction of choices and opportunities has been a reflection of the impact of these policies. The homelessness, the soup lines, the doubling up in housing, the increase in property crimes, the increase in drug addiction, all these are evidence of the increasing turmoil facing the urban community.

In 1970 there were seven major cities with black majorities, and only four of these had black mayors.[129] By 1980 there were 17 cities with black majorities, and 13 cities had elected black mayors. There were an additional 13 cities in 1980 with black populations of at least 45 percent, suggesting that some of these will have black majorities within the next few years. These trends portend a number of possible political changes in large U.S. cities. As of this writing, the city of Chicago, the third largest city in the United States, has a black mayor, in addition to Los Angeles, and Philadelphia, both very populous cities. But Federal budgetary politics

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promises to becloud the political and economic future of black leadership in these cities, because black political leadership is not necessarily a panacea for urban social problems, though it demonstrates the significance of rising black voting power.[121]

While blacks have gained and will continue to gain political control over cities if current trends continue, they will also inherit very difficult and often insurmountable problems. With the influx of the poor, the demand for social services and other human resource services rises. But the outmigration of more affluent residents is resulting in fewer tax dollars to help pay for these services. Thus, the Federal Government must participate and provide the fiscal wherewithal for these cities to meet the basic human needs of their residents. City administrators will find themselves having very difficult choices with a low tax base and heightened demand for services. And if their perceived choices reduce themselves to options such as hiring more police or improving the school system, many times they will opt to hire more police, and education will be set aside.

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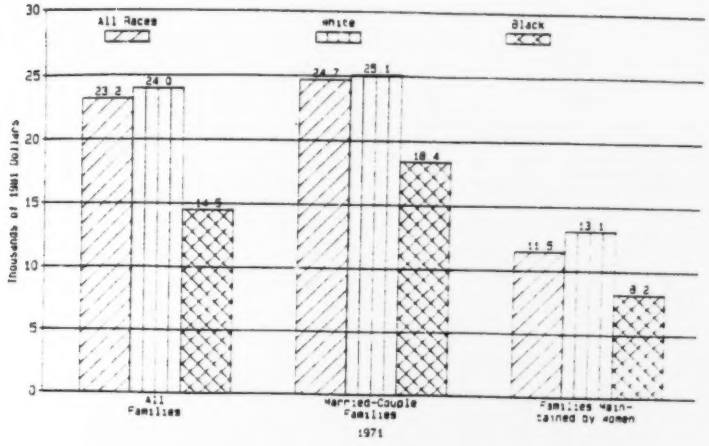
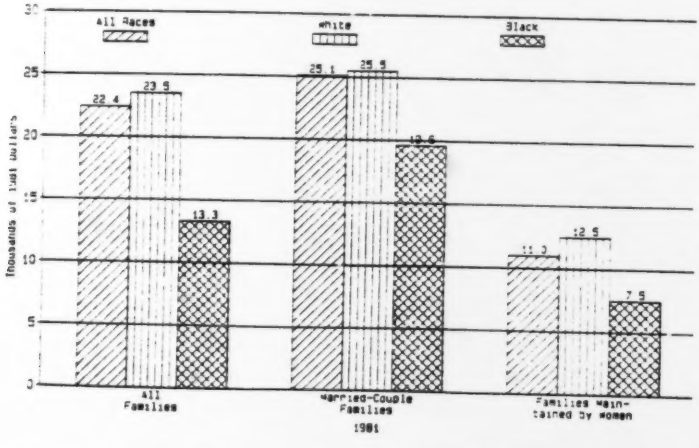
FIGURE 8.3: Median Family Income in 1971 and 1981, by Type of Family and Race




Source: U.S. Department of Commerce. Bureau of the Census. Population profile of the United States: 1982. Current population reports. Special studies. Series P-23, No. 130.

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## Special Impacts of the Reagan Budget Cuts on Children and Youth in Urban Areas

According to a 1984 report by the Children's Defense Fund, America's children are in deep trouble. They are more likely today to suffer death and sickness, hunger, or child abuse and neglect than 3 years ago. The infant mortality rate, often taken as one measure of overall community health, has increased in U.S. urban society.

Federal budget cuts of over $10 billion in "bare bones" health, nutrition, education, child care, and family support programs have endangered the health of many children. Medicaid has been cut over $4 billion, title V maternal and child health programs have been reduced by 3.1 million children, and 3,000 children a day have fallen into poverty since 1979.[122]

This overall childhood poverty increase of 31 percent represents the sharpest increase in childhood poverty since poverty statistics have been collected.[123] Childhood poverty is higher in the 1980's than at any time since 1965. As a result of the cuts, 700,000 children have been thrown off Medicaid and AFDC, 440,000 have lost compensatory education benefits. The percentage of poor children receiving AFDC, and Medicaid is lower today than any time in the last four years.[124] Only 52 children receive AFDC out of every 100 who are poor, and only 73 receive Medicaid of every 100 who are poor. Although child care is an essential service for low-income parents seeking work, the already limited Federal support for title XX has been slashed. Thirty-two States provided title XX child care to fewer children in 1983 than in 1981. Hundreds of thousands of children have lost child care services.

The budget cuts have affected children in education, where over 10 percent of all children lost assistance in mathematics. The Emergency School Act, designed to help school systems, was abolished by President Reagan's cuts.

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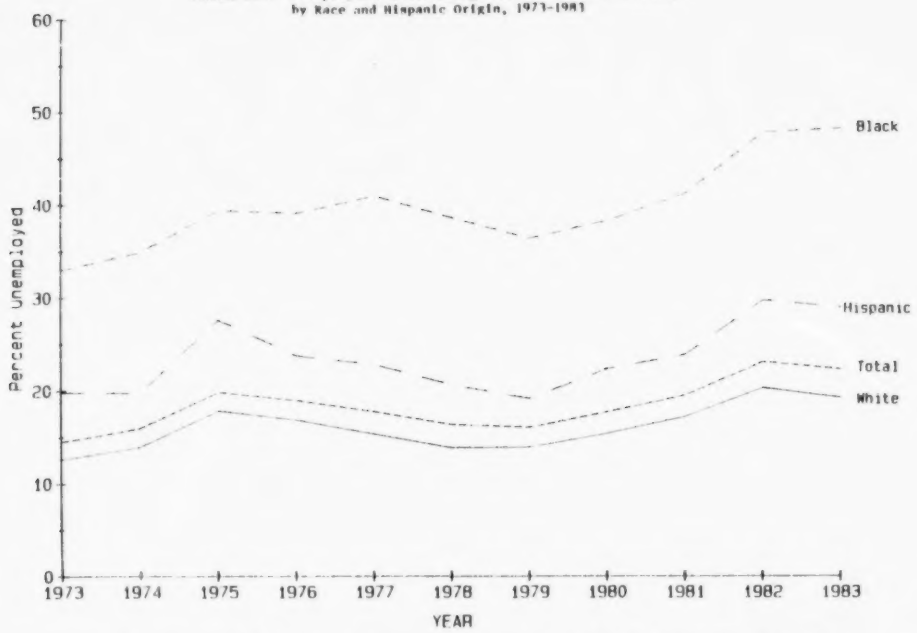
FIGURE 8.4: Unemployment Rates Among Youth 16 to 19 Years Old, by Race and Hispanic Origin, 1973-1983




Source: (1) U.S. President. Employment and training report of the President. Washington, U.S. Govt. Print. Off., 1982. (2) U.S. Department of Labor. Bureau of Labor Statistics. Employment and earnings. January 1984.



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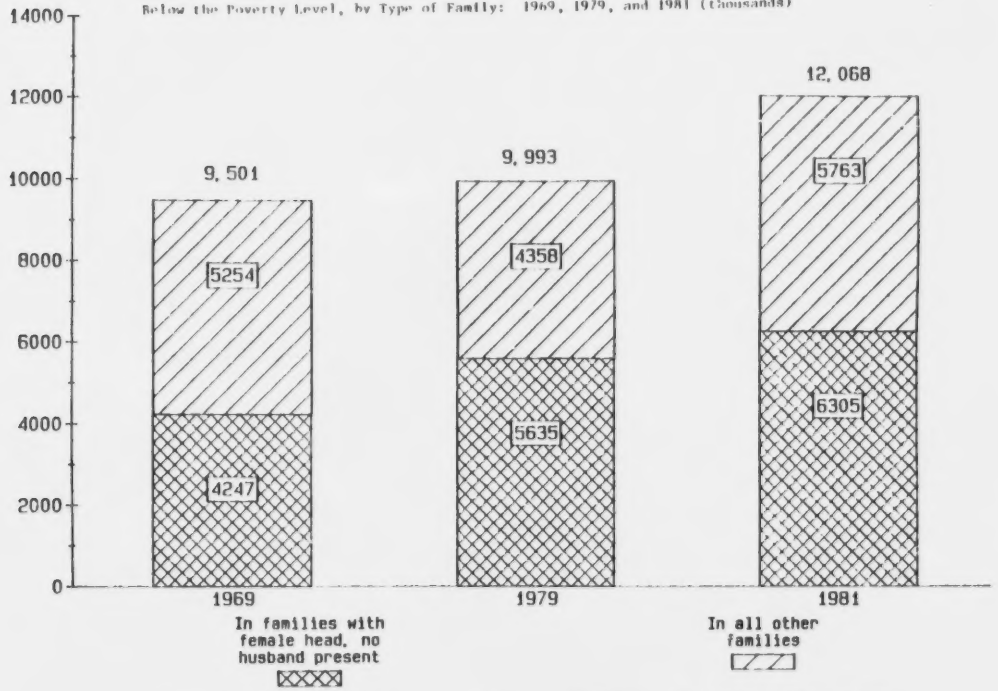
FIGURE 8.1: Number of Related Children Under 18 Living in Families Below the Poverty Level, by Type of Family: 1969, 1979, and 1981 (Thousands)




Source: U.S. Department of Commerce. Bureau of the Census. Population profile of the United States: 1982. Current population reports. Special studies. Series P-23, No. 130.



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Nearly half of all poor people in America are children. Most of their families receive little or no Federal assistance. Twelve million children live in female headed families, and 56.6 percent of those children are poor. The number of children living in poverty grew by 2,025,000 or (18 percent) from fiscal year 1980 to fiscal year 1982. Even with a sharp recovery, no more than one-third of the nearly poor, or 31 percent, will be rescued from poverty.

Fifty percent of all families experiencing unemployment receive no Federal assistance, 82.8 percent no food stamps, and 60 percent no unemployment insurance. Millions of children receive no benefits and millions have seen their Federal assistance reduced.[125] Children and youths in urban areas are experiencing an increasingly high and burdensome level of poverty.

## Special Impacts of the Reagan Budget Cuts on Business in Urban Areas

### *Small business*

The Omnibus Budget Reconciliation Act of 1984 was passed as part of the administration's early efforts to reduce Federal spending. The legislation drastically reduced the Small Business Administration's [SBA] Direct Lending and Loan Guarantee Program. Under the provisions of this law, several measures affecting SBA were enacted: (1) Increasing the SBA direct loan interest rate to the cost of money to the Government; (2) consolidating, for the first time, the SBA's handicapped persons economic opportunities into the regular 7 percent business loan program so they may participate in solar and energy construction and development companies and development company loan programs; (3) setting SBA business loan guarantees at 90 percent for loans of $100,000 or less and at 70 to 90 percent for loans over $100,000; and (4) eliminating any immediate future authorization and/or appropriations for the SBA's Physical Disaster Loan Program.[126] Thus, Federal assistance in the SBA direct loan program significantly decreased from $396 million in fiscal year 1980 to $260 million, a decline of 34 percent, in fiscal year 1983.[127] The SBA Loan Guarantee Program decreased from $3.6 billion in fiscal 1980 to $3.1 billion in fiscal 1983, representing a 14 percent decline.[128]

These changes have had a significant adverse impact on the small business community. During this period the U.S. economy experienced a tremendous increase in the number of businesses filing for bankruptcy or ceasing operations. This is the highest level of business failures since the Great Depression of the 1930's. One of the key contributing factors has been high interest rates. In 1940, following the Great Depression, this failure rate was 63.0 per 10,000. In 1953 it was 28.7 per 10,000, considered very low; in 1968, 38.0, also considered low; and in 1979 it was 23.9, a very low year. In 1981 the rate shot up to 62.0—a record that rivals the Depression and post-Depression years. However, in 1982 there were 25,346 business failures, or 76.1 per 10,000 firms; and in 1983 there were 31,334 or 80.2 per 10,000 firms, the highest failure rate ever.[129] And small business creates the vast majority of new jobs in the United States.

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Small businesses found it difficult to achieve stabilization and were sensitive to the high interest rates. Since 1978 the prime interest rate has shown cyclical volatility. It averaged 9.1 percent during 1978 and increased steadily to an overall average of 15.3 percent during 1980.[130] It reached over 20 percent in 1981 and showed month-to-month fluctuations. Supply-side monetarist fiscal policies affect the money supply, which in turn affect supply and demand, and therefore interest rates. Tight money policies, with no special provisions for them, greatly affected small businesses. Thus, the Reagan budget cuts and approach to fiscal management were the death knell to many small businesses in urban areas.

*Major corporations in urban areas*

A city manager of a large city recently said of the effects of budget cuts, that when Federal funding to cities is cut back, State and local dollars have to be found to make up the difference. Local governments faced with this normally have to raise taxes. As they raise taxes, cities become less attractive places for business location. Corporations, therefore, tend to move to the suburbs, and other corporations are likely to follow suit.

Because the numbers of jobs have declined, the unemployment problem has worsened. At the same time the city's ability to deal with the problem has diminished.

The consequence is that the rich get richer and the poor get poorer within each affected urban region. Any solution would have to take account of the increasing concentration of jobs in the suburbs. Central city residents would be required to commute to the suburbs to find new employment opportunities, and urban public transportation schedules do not typically meet this need.

TABLE 8.2.—SHARE OF EMPLOYMENT AND SHARE OF EMPLOYMENT GROWTH FOR ALL FIRMS AND SMALL FIRMS BY MAJOR INDUSTRY, 1980–82

[In percent]

| | All firms | | Small firms (under 20 employee) | |
|---|---|---|---|---|
| | Industry share of total employment, 1980 | Share of growth, 1980–82 | Industry share of employment, 1980 | Share of growth, 1980–82 |
| All industries | 100.0 | 100.0 | 100.0 | 100.0 |
| Agriculture, forestry, and fishing | 0.9 | 3.1 | 2.5 | 2.7 |
| Mining | 1.1 | 11.8 | 0.8 | 2.5 |
| Construction | 5.3 | 4.1 | 12.6 | 10.3 |
| Manufacturing | 33.6 | | 9.6 | 10.3 |
| Transportation, communication, and utilities | 6.3 | 1.4 | 3.8 | 5.5 |
| Wholesale trade | 5.1 | | 11.2 | 8.7 |
| Retail Trade | 18.1 | 6.5 | 31.0 | 13.7 |
| Finance, insurance, real estate | 6.6 | 21.0 | 7.4 | 11.4 |
| Services | 23.0 | 52.1 | 21.1 | 34.9 |

Source: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base.

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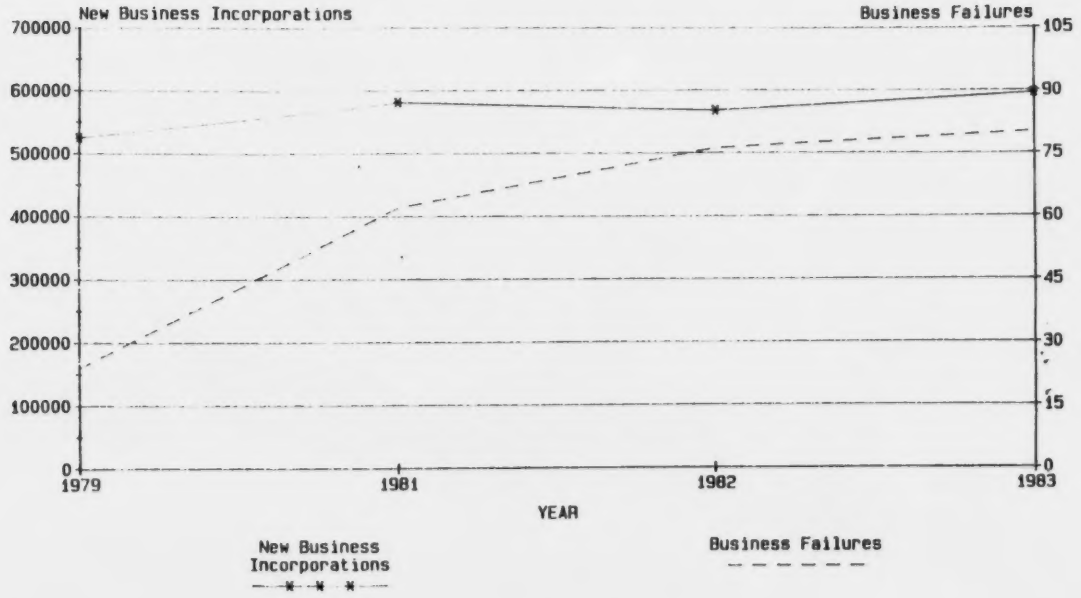
FIGURE 8.6: New Business Incorporations and Business Failures, 1979-1983




Source: Estimate by U.S. Small Business Administration based on Dun and Bradstreet press release of November 14, 1983; and other Dun and Bradstreet data.



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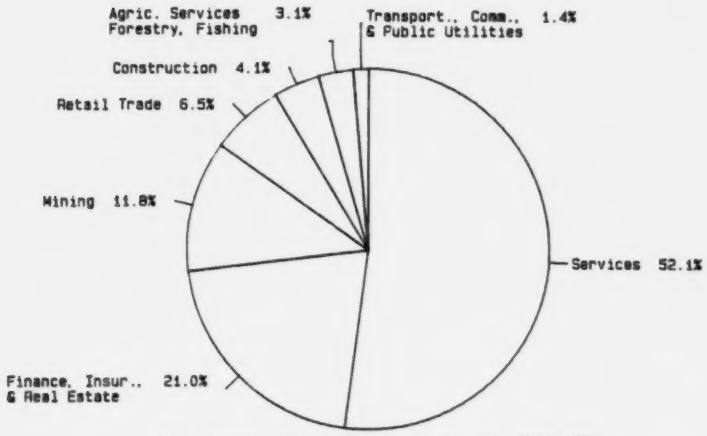
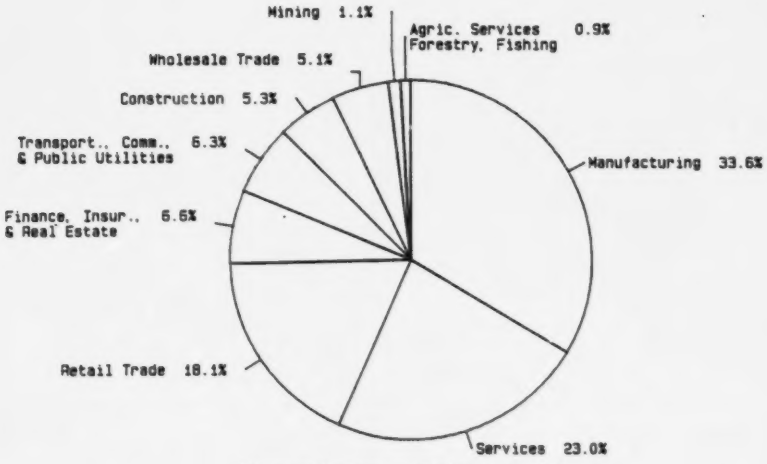
FIGURE 8.7: Distribution of Employment Growth, 1980-1982, versus Distribution of Employment, 1980, by Major Industry




(A) Distribution of Employment Growth, 1980-1982




(B) Distribution of Employment, 1980

Note: The Manufacturing and wholesale trade sectors had employment losses from 1980 to 1982 and are not shown in (A).

Source: U.S. Small Business Administration. Office of Advocacy. Small business data base.

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## Special Impacts of the Reagan Budget Cuts on Urban Senior Citizens

The older population has been increasing at a far more rapid rate than the rest of the population. In the last two decades the population aged 65 or more increased at a rate of 24 percent, while the under 65 population increased only 6 percent.[131] At the beginning of the century 7.1 million persons, comprising less than 10 percent of the total population, were aged 65 and over. In 1982, 48.9 million persons, or over 20 percent of the American population, were 65 or over.[132]

Of the total population about 9.5 percent, or 22.1 million, were 55 to 64 years old; 7 percent, or 16.1 million, were 64 to 74 years old; 3.6 percent, or 8.2 million, were 75 to 84 years old; and 1.1 percent, or 2.5 million, were 85 years old and over. About 15,000 persons were over 100.[133] The total U.S. population is projected to increase by one-third between 1982 and 2050, while the population 55 years and over is expected to more than double. The age groups which will experience dramatic increase are the aged and very old. Elderly women outnumber men three to two, a considerable change from 1960, when elderly women outnumbered men by only five to four.[134]

Almost two-thirds of the elderly population live in metropolitan areas, and 10 percent of the country's metropolitan areas were elderly.[135] Elderly persons (34 percent) are less likely to live in rural areas than are persons under 65 (34 percent vs 41 percent).[136]

The economic position of elderly persons is lower and less secure than that of the younger population. Only a minority manage to maintain relatively high incomes into their later lives. Sex and race, health and survival of their spouses, their own health, and opportunities to work at good wages or salaries determine their standards of existence. For many who do not work, social security payments are vital.[137]

For poor persons 60 years and over living in metropolitan areas, the poverty rate in 1981 was 11.5 percent. It was over 60 percent for black women living in those areas, compared to 18.6 percent for white women in comparable areas.

Social Security benefits have been substantially reduced for housing, health, nutritional programs, legal aid, and other services essential to the elderly. In 1981 Medicare benefits were cut by almost $5 billion, 80 percent of which were borne by Medicare beneficiaries. In 1982 an administration proposal would have reduced benefits by $2 billion more.[138] The elderly are increasingly dependent on the quality of urban services to maintain their life styles. Any cut in services greatly affects their existence.

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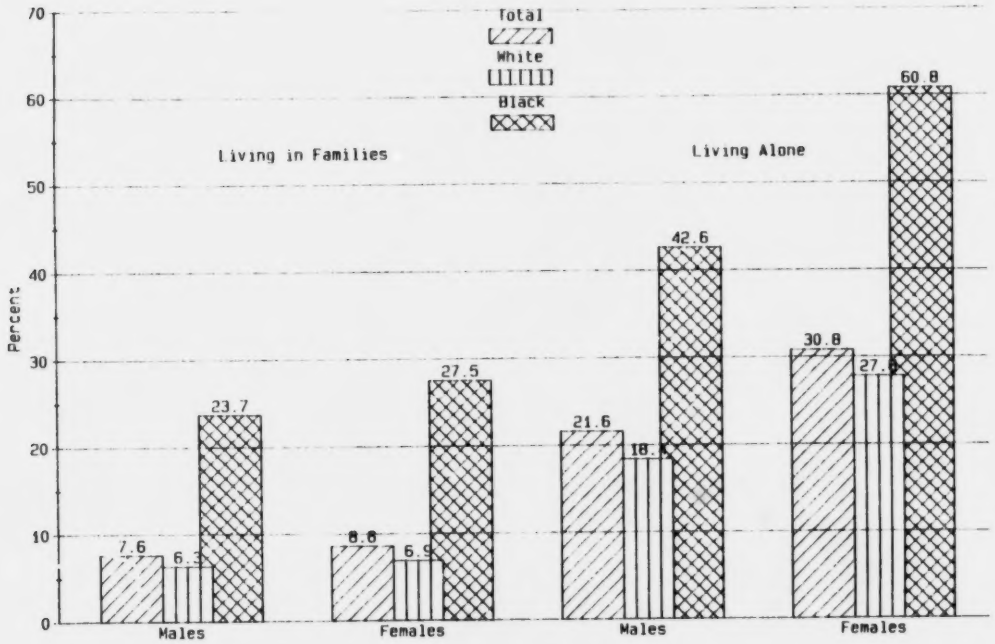
FIGURE 8.8: Poverty Rate of Persons 60 and Over, by Living Arrangement, Sex, and Race, 1981




Source: U.S. Department of Commerce. Bureau of the Census. Population profile of the United States: 1982. Current population reports. Special studies. Series P-23, No. 130.



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## CHAPTER 9: GENERAL ANALYSIS OF THE FEDERAL GRANTS-IN-AID PROGRAM BUDGET CUTS—1964-83

The overall development of the Federal budget for urban related programs during the past 24 years is important. The Great Society budget related to urban programs was $32 billion for the 4 years of Johnson's first term in office. However, looking at what that would mean in 1984 dollars and without expanding any of the programs but just maintaining pace and accounting for inflation, the $32 billion would represent $80 billion in 1984. Social Security has remained fairly constant at about 21 percent of total outlays since 1977 and will continue at that level for these comparisons. Total outlays more than doubled between 1964 and 1983.[139]

The following examination of the distribution of increases in budget outlays identifies some important patterns. For instance, spending for human resources accounted for 79 percent of the total increase in Federal spending between 1964 and 1983.[140] Within this human resource cost, 49 percent of the increase was attributable to large, work-related retirement, disability, and health programs.[141] However, the spending for national defense accounted for less than 3 percent of the total increase in Federal spending between 1964 and 1983.

The following is a table summarizing Federal funding outlays for grants-in-aid to the States for urban-oriented programs from 1964 through 1983.

TABLE 9.1.—FEDERAL GRANTS-IN-AID TO THE STATES FOR URBAN-RELATED PROGRAMS, BY PRESIDENTIAL ADMINISTRATION [1]

[In thousands of current dollars by fiscal year]

| | Johnson, 1965-68 | Nixon, 1969-72 | Nixon-Ford, 1973-76 | Carter, 1977-80 | Reagan, 1981-83 | Total |
|---|---|---|---|---|---|---|
| Housing | 2,751,191 | 7,717,968 | 13,681,154 | 25,002,914 | 28,779,932 | 77,933,159 |
| Transportation | 61,848 | 649,904 | 3,754,429 | 9,281,809 | 11,317,820 | 25,065,810 |
| Employment | 6,739 | 587,980 | 2,715,148 | 2,199,835 | 536,613 | 6,046,315 |
| Environment | 229,439 | 1,262,402 | 6,823,964 | 15,664,339 | 11,454,598 | 35,434,742 |
| Economic development and opportunity | 3,413,319 | 5,692,157 | 2,750,372 | 11,363,700 | 1,781,789 | 25,001,337 |
| Education | 6,773,535 | 12,287,124 | 15,826,415 | 22,208,626 | 21,188,737 | 78,284,437 |
| Health and welfare | 19,192,732 | 43,450,178 | 67,915,007 | 40,039,748 | 103,054,682 | 273,652,347 |
| Total | 32,572,796 | 74,967,531 | 128,083,328 | 163,292,145 | 197,255,911 | 596,171,711 |

[1] Please see the Methodological Appendix for details concerning the derivation of this table.

Source: See Methodological Appendix.

While the bulk of spending for human resources is driven by benefits to which individuals are legally entitled under existing law, spending for national defense depends on two major factors: (1) Payments for prior year contracts and obligations (representing 33 percent of defense spending in 1983), and (2) Congress' year-to-year perceptions of threats to national security and its thinking on the



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appropriate response to such threats.[142] For instance, in 1944, the next to last year of World War II, 39 percent of the gross national product was devoted to national defense. This dropped to less than 4 percent in 1948, rose to nearly 15 percent in 1953 during the Korean conflict, and by 1965 declined to 8 percent of GNP. After peaking at 10 percent in 1968 during the Vietnam conflict, outlays for national defense steadily declined to 5 percent of GNP in 1979.[143] For the past 4 years defense outlays have increased as a percentage of the gross national product, reaching more than 6 percent in 1983.

It is interesting to note that the spending for national defense, as it is projected, will increase 49 percent between 1983 and 1989.[144] Most other Federal spending categories will experience reduced rates of growth. It is anticipated that programs for employment and training will be reduced by 20 percent. Budgetary proposals call for the reduction of the estimated rate of growth of human resources entitlement programs, such as Medicaid and civil service retirement. All other categories of Federal spending would be reduced by 27 percent. Spending for all other categories accounted for less than 3 percent of the increase in Federal spending between 1964 and 1983. The largest increases in this category were in programs for transportation, natural resources, and environment. There is apparently a deliberate strategy to reduce moneys that would ordinarily go to urban centers and impact the people of those centers, and to transfer those outlays to defense expenditures.

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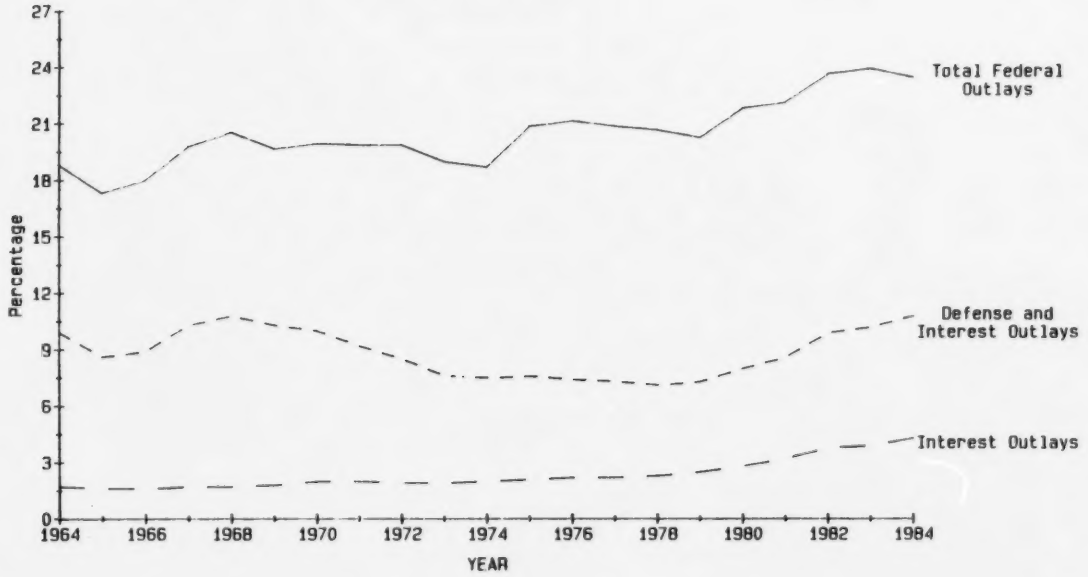
FIGURE 9.1: Federal Outlays as a Percentage of Gross National Product, 1964-1984




Source: U.S. Department of Commerce. Bureau of the Census. Statistical abstract of the United States. Various years.



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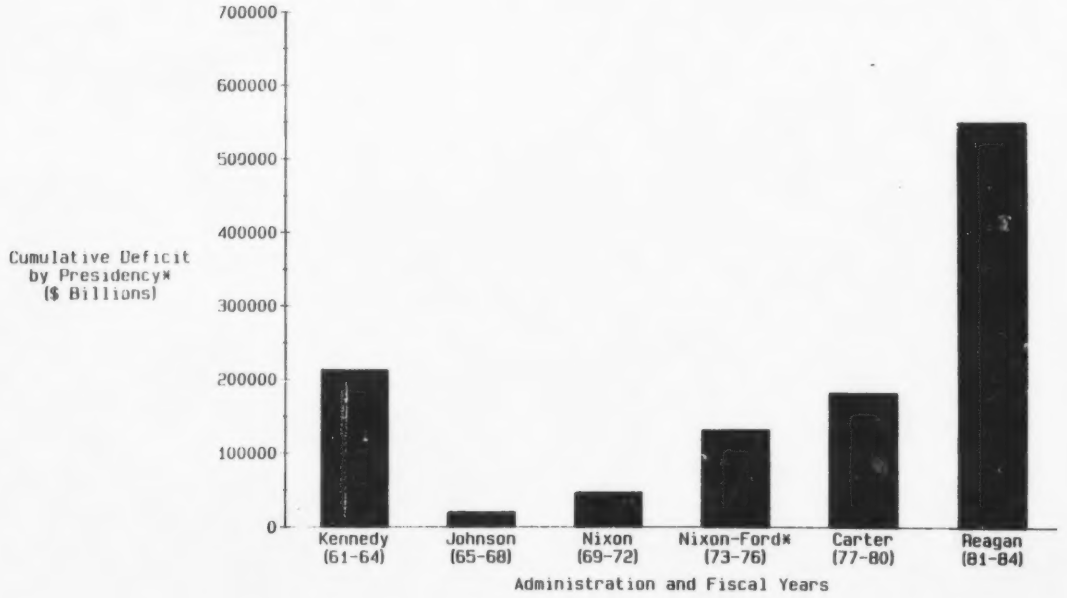
FIGURE 9.2: Federal Budget Deficits by Presidential Administration, 1961-1984




Source: U.S. President. Budget of the United States Government, FY1985. U.S. Govt. Print. Off., Washington, 1984.

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It should be noted that spending for net interest accounted for 16 percent of the increase in Federal spending between 1964 and 1983. Growth in the national debt and high interest rates are the principal causes of this increase. It is well to recall what the Reagan plan for economic recovery was supposed to do:

Parenthetically, let's look at the $41 billion reduction in 1982 outlays compared to the current policy based with a $2 billion in user charges and a $5.7 billion in off budget outlay reduction for a total of $49 billion in fiscal savings. A dramatic downward shift in Federal spending growth rates bringing a 16 percent trend of the recent period of about 7 percent over the next several fiscal years. And a steady reduction in the Federal deficit resulting in a balanced budget by 1984.[145]

This Reagan objective was not achieved. However, it should be pointed out that in the Reagan budget $42 billion relating to human resources and urban programs was cut. Strong objection in Congress changed the proposed cuts, especially in the social security, Medicaid, and Medicare entitlements. Nevertheless, limited cuts in Medicaid and Medicare have been effectuated, reducing health program benefits considerably. This has adversely affected the quality of the health care of many Americans.

In its first 4 years the Reagan administration showed a cavalier disregard for the vast numbers of ordinary Americans residing in our urban centers.

TABLE 9.2.—TAX BURDENS FOR FAMILIES BY QUINTILE OF GROSS INCOME, 1980 AND 1984

[Percentage of pretax income]

| | Bottom | | Second | | Third | | Fourth | | Top | | All families | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1984 | 1980 | 1984 | 1980 | 1984 | 1980 | 1984 | 1980 | 1984 | 1980 | 1984 |
| Federal income taxes | 0.5 | 1.2 | 6.3 | 6.0 | 10.5 | 9.4 | 14.0 | 12.6 | 19.5 | 18.9 | 13.9 | 13.4 |
| Federal payroll taxes | 3.2 | 3.7 | 4.6 | 5.2 | 5.3 | 5.8 | 5.3 | 5.9 | 4.5 | 5.0 | 4.8 | 5.3 |
| State and local taxes | 7.4 | 7.5 | 6.4 | 6.8 | 6.8 | 7.1 | 7.2 | 7.4 | 7.7 | 8.2 | 7.2 | 7.6 |
| All taxes | 11.1 | 12.4 | 17.4 | 17.9 | 22.6 | 22.3 | 26.5 | 25.9 | 31.6 | 32.1 | 25.9 | 26.3 |

Source: Marilyn Moon and Isabel V. Sawhill, "Family Incomes," in the Reagan Record, table 10.4, p. 328.

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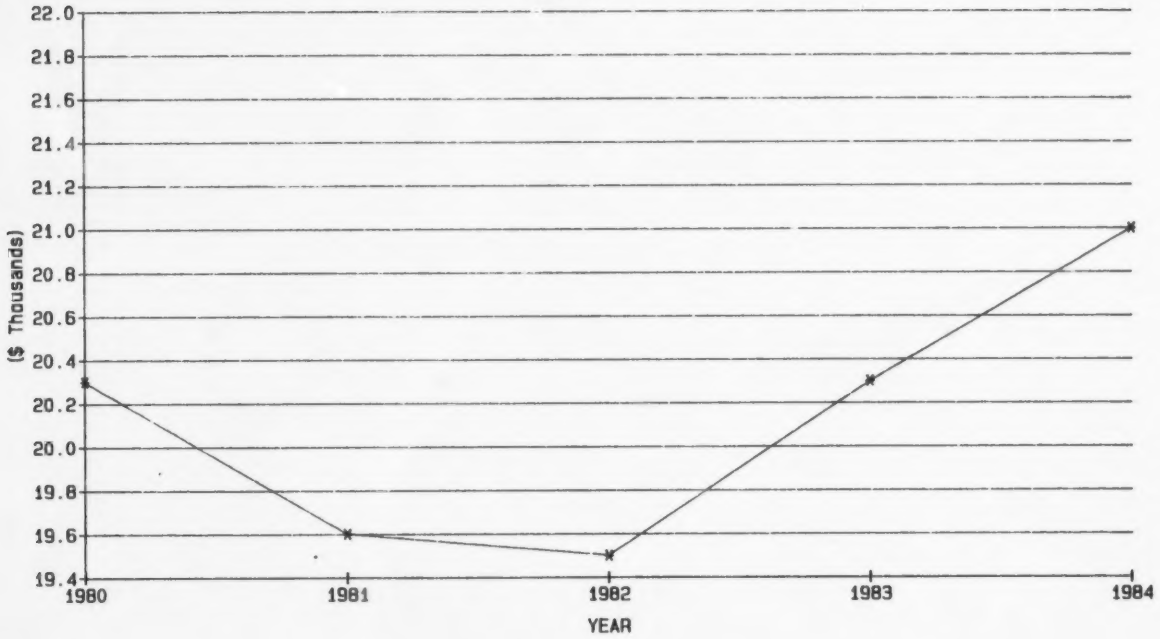
FIGURE 9.3: Real Disposable Income Per Family
(1982 $)




Source: The Urban Institute household income model.



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### Net Effects of the President's Tax Cuts

The President also reduced the marginal tax deduction for individuals across the board by 10 percent per year for each of 3 years ending in July 1984, resulting in an overall decrease of 30 percent. Federal revenues have declined substantially as a consequence. It is estimated that this action has brought down average gross Federal tax receipts to 10 percent of the personal income of the average taxpayer in 1984.[146]

While State and local policymakers cut budgets and raised taxes in 1983 to partially offset cuts in Federal grants-in-aid, the Federal Government increased spending and reduced taxes, with the result that the Federal deficit continued to grow to record peacetime levels. The enormity of the 1983 budget deficit is underscored by a grave comparison: It is about $25 billion larger than total 1983 revenues of all the States combined.[147] Local spending had be reduced in 1982 and 1983 because of the severe recession and cutbacks in Federal aid. In the 1970's State and local governments increased their work forces, but in 1981 the trend was reversed and the public work force registered a decline for the first time since the 1940's.[148]

Since 1978 Federal aid to State and local governments has declined in real terms. The Federal aid proportion of local budget revenues peaked at 26 percent in 1978, then dropped to 20 percent by 1983. In 1983 the Federal Government collected 6 percent less tax revenue than the previous year, while that year was a key year for State tax increases, unmatched since 1971-72, as noted earlier. Thirty-eight States raised tax revenues during regular and special legislative sessions. Only three States were able to get by these three economically turbulent years without a tax increase: Georgia, Texas, and Hawaii. States have recently turned to voluntary taxing methods such as State lotteries, and lottery revenues have increased substantially. Sales taxes and cigarette excise taxes have also been raised. However, even with these tax hikes and lottery revenues, States outlays have declined sharply.

The savings to the average taxpayer were minimal, and many did not realize the effects of the tax cut. This invalidated one of the major assumptions of supply-side economics, that tax reductions lead to more disposable income, which in turn leads to more investment and economic revival.

### The Effect of Budget Cuts on Municipal Revenues

Fifty-six percent of the cities surveyed expect aid from Federal grants to decline, while State aid is expected to grow less than inflation. In 50 percent of the cities, expenditure growth rates will be cut by one-third in fiscal year 1984, dropping from 10 percent to 6 percent.[149] Forty-seven percent of the cities responding expect expenditures to increase less than inflation and 21 percent expect to cut expenditures below the fiscal 1983 level.[150]

Total employment for all cities surveyed is expected to increase marginally by less than 1 percent in fiscal year 1984, reversing the trend of the past few years, but not restoring the employment cuts that have been made. Thirty-five percent of the cities surveyed

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expect to reduce employment in fiscal year 1984, but 47 percent expect to increase employment.

In fiscal year 1984, 46 percent of the cities surveyed expect to cut their current revenue capital below fiscal year 1983 levels, while 47 percent expect to increase these amounts as a result of inflation. Thirty-six percent of the cities expect to cut their fiscal year 1984 debt financial capital budgets below fiscal year 1983, and 51 percent expect to increase them above inflation.[151]

State and urban areas suffered drastically from the cuts in Federal aid, and their response was to cut back on services and lay off employees, further contributing to community problems, as reflected in the number of local persons who had to draw on public services because they were unemployed.

## The Effect of Budget Cuts on Unemployment and Inflation

Throughout the 24 years, there has been a serious neglect of the unemployment problems in America. In spite of contractions in the economy, many thinkers continue to blame the unemployed for their plight, describing them as lazy and without motivation to work. As each administration has attempted to manage the economy its attitudes toward unemployment tended to be closely related to its approach to inflation. The Keynesians attacked unemployment directly. The monetarists went after it obliquely, concentrating on inflation as a factor. And the priorities for both constantly shifted. No administration in this period has successfully maintained low inflation and low unemployment. The preceding table and graph show that when unemployment has been low, inflation has been high and *vice versa*. It can be observed that unemployment was lowest during the Great Society Program and inflation was in check and stable. The Reagan administration has had the best success with inflation, but unemployment remains high.

TABLE 9.3.—FEDERAL GOVERNMENT RECEIPTS AND OUTLAYS COMPARED WITH UNEMPLOYMENT, INFLATION AND GROSS NATIONAL PRODUCT

[Dollar amounts in billions]

| Fiscal year | Receipts | Outlays | Surplus or deficit | Unemployment [1] (percent) | Inflation (percent) | GNP (1972 dollars) |
|---|---|---|---|---|---|---|
| 1961 | $94.4 | $97.8 | −$3.4 | 6.7 | 1.0 | $756.6 |
| 1962 | 99.7 | 106.8 | −7.1 | 5.5 | 1.1 | 800.3 |
| 1963 | 106.6 | 111.3 | −4.8 | 5.7 | 1.2 | 832.5 |
| 1964 | 112.7 | 118.6 | −5.9 | 5.2 | 1.3 | 876.4 |
| 1965 | 116.8 | 118.4 | −1.6 | 4.4 | 1.7 | 929.3 |
| 1966 | 130.9 | 134.7 | −3.8 | 3.7 | 2.9 | 984.8 |
| 1967 | 148.9 | 157.6 | −8.7 | 3.7 | 2.9 | 1,011.4 |
| 1968 | 153.0 | 178.1 | −25.2 | 3.5 | 4.2 | 1,058.1 |
| 1969 | 186.9 | 183.6 | +3.2 | 3.4 | 5.4 | 1,087.6 |
| 1970 | 192.8 | 195.7 | −2.8 | 4.8 | 5.9 | 1,085.6 |
| 1971 | 187.1 | 210.2 | −23.0 | 5.8 | 4.3 | 1,122.4 |
| 1972 | 207.3 | 230.7 | −23.4 | 5.5 | 3.3 | 1,185.9 |
| 1973 | 230.8 | 245.6 | −14.8 | 4.8 | 6.2 | 1,254.3 |
| 1974 | 263.2 | 267.9 | −4.7 | 5.5 | 11.0 | 1,246.3 |
| 1975 | 279.1 | 324.2 | −45.2 | 8.3 | 9.1 | 1,231.6 |
| 1976 | 298.1 | 364.5 | −66.4 | 7.6 | 5.8 | 1,298.2 |
| 1977 | 355.6 | 400.5 | −44.9 | 6.9 | 6.5 | 1,369.7 |
| 1978 | 399.6 | 448.4 | −48.8 | 6.0 | 7.7 | 1,438.6 |

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## TABLE 9.3.—FEDERAL GOVERNMENT RECEIPTS AND OUTLAYS COMPARED WITH UNEMPLOYMENT, INFLATION AND GROSS NATIONAL PRODUCT—Continued

[Dollar amounts in billions]

| Fiscal year | Receipts | Outlays | Surplus or deficit | Unemployment [1] (percent) | Inflation (percent) | GNP (1972 dollars) |
|---|---|---|---|---|---|---|
| 1979 | 463.3 | 491.0 | −27.7 | 5.8 | 11.3 | 1,479.4 |
| 1980 | 517.1 | 576.7 | −59.6 | 7.0 | 13.5 | 1,475.0 |
| 1981 | 599.3 | 657.2 | −57.9 | 7.5 | 10.4 | 1,513.8 |
| 1982 | 617.8 | 728.4 | −110.6 | 9.5 | 6.1 | 1,485.4 |
| 1983 | 600.6 | 796.0 | −195.4 | 9.8 | 3.2 | [2] 1,534.8 |
| 1984 | 670.1 | 853.8 | 183.7 | | | |
| 1985 estimate | 745.1 | 925.5 | −180 4 | | | |

[1] Unemployment estimates include military employment for 1965–83.
[2] Preliminary.

Source: U.S. President. Economic report of the President. U.S. Government Printing Office, Washington, 1984.

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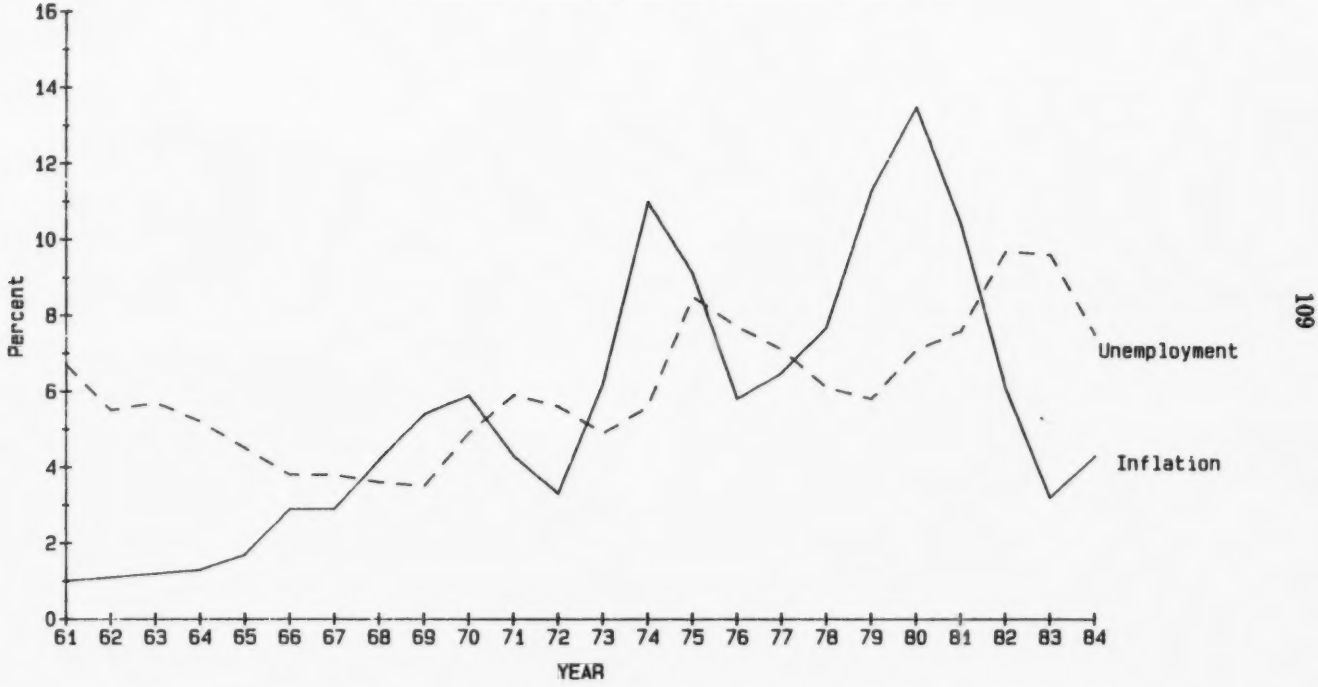
FIGURE 9.4: Unemployment and Inflation, FY1961-1983

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The significance of these factors is that unemployment brings a multitude of problems to any community. Any community faced with these problems should have the resources to cope with them. If cuts in grants-in-aid are initiated when unemployment is high, community problems will be exacerbated, because the ability of State and local officials to deal with them successfully will be substantially diminished. Thus, the Reagan administration was myopic in attempting to manage the economy according to the supply-side approach of the monetarist school.

These findings are best illustrated by looking at selected segments of the urban community to assess the nature and intensity of the effects of the cuts in grants-in-aid to the States for urban programs.

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## CHAPTER 10: THE REAGAN POLICIES AND THE NONPROFIT SECTOR

The Reagan administration made their budget cuts on the assumption that the nonprofit sector would take up the slack in the delivery of many social services.

This presumption about how the nonprofit sector really functions and how it is related to the Government is extremely shortsighted and naive. The theory assumes that the Federal Government is a monolithic systematic body extending its reaches into all spheres of life and replacing voluntary associations as well as State and local officials in areas of social services delivery. The Federal Government is now fragmented and dependent on other power centers to help carry out its various missions. In the delivery of domestic services the Federal Government does very little by itself. Rather, it relies on a vast network of third parties—States, cities, counties, research agencies, universities and colleges, community agencies, and social service organizations to carry out its missions. (See table 10.1 through 10.5.) The result is an actual pattern of third-party government. Nonprofit organizations have been major beneficiaries of these practices. The Federal Government has not displaced the nonprofit sector or crowded these organizations out. Rather, the Government has broadened their role and expanded their fiscal base.

TABLE 10.1.—FEDERAL GOVERNMENT SUPPORT AS A SHARE OF TOTAL NONPROFIT REVENUES, EXCLUDING RELIGION, 1981

[In billions of dollars]

| Type of organization | Federal Government support | Total expenditures | Federal Government as percentage of total |
|---|---|---|---|
| Social welfare and community development | 9.6 | 18.5 | 51.9 |
| Education and research | 6.2 | 23.5 | 26.4 |
| Health | 29.9 | 76.3 | 39.2 |
| Arts and culture | .3 | 1.7 | 17.6 |
| Other | | 1.7 | |
| Total | 46.1 | 121.7 | 37.9 |

Source: For expenditure data, see notes for table. For the methodology used to calculate Federal support for nonprofits, see Salamon, the "Federal Government and the Nonprofit Sector."



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## TABLE 10.2.—PROJECTED CHANGES IN FEDERAL SPENDING IN FIELDS WHERE NONPROFIT ORGANIZATIONS ARE ACTIVE, FISCAL YEARS 1981–85

[In billions of 1981 dollars by fiscal years]

| Program area | Actual 1981 | Estimated reductions 1982 [1] | Proposed cuts [1] | | | Total 1982–85 | Percentage change 1985 versus 1981 |
|---|---|---|---|---|---|---|---|
| | | | 1983 | 1984 | 1985 | | |
| Social welfare | 26.0 | -5.0 | -10.9 | -11.9 | -12.6 | -40.4 | -48 |
| Education and research | 24.6 | -2.3 | -6.7 | -10.1 | -11.8 | -30.9 | -48 |
| Health | 65.6 | -2.2 | -5.7 | -7.6 | -8.9 | -24.4 | -14 |
| Income assistance | 41.6 | -1.7 | -4.6 | -6.6 | -6.8 | -19.7 | -16 |
| International aid | 7.5 | | | | -0.3 | -0.2 | -4 |
| Arts and culture | 0.7 | | -0.1 | -0.2 | -0.3 | -0.6 | -38 |
| Environment | 0.6 | -0.1 | -0.4 | -0.5 | -0.5 | -1.5 | -92 |
| Total | 165.7 | -11.3 | -28.2 | -36.9 | -41.2 | -117.7 | -25 |

[1] Deflation calculations use the economic assumptions in the President's 1983 budget. A special deflator, based on administration estimates of health cost growth, was used to deflate projected outyear Medicare and Medicaid spending.

Source: Office of Management and Budget, 1982 budget and 1983 budget; authors' analyses. For further discussion of methodology, see Lester M. Salamon with Alan J. Abramson, "The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals" (Washington, DC: The Urban Institute, 1981).

## TABLE 10.3.—REDUCTIONS IN FEDERAL OUTLAYS COMPARISON WITH NONPROFIT EXPENDITURES IN FIELDS OF INTEREST TO NONPROFIT ORGANIZATIONS IN FISCAL YEARS 1982 AND 1983

[In billions of 1981 dollars]

| Field | Nonprofit expenditures 1981 | Fiscal year | | | |
|---|---|---|---|---|---|
| | | Budget cuts 1982 | 1982 budget cuts as percentage of nonprofit expenditures | Budget cuts 1983 | 1983 budget cuts as percentage of nonprofit expenditures |
| Social welfare and community development | 16.5 | -5.1 | 28 | -11.2 | 61 |
| Education and research | 23.5 | -2.3 | 10 | -6.7 | 29 |
| Health | 76.3 | -2.2 | 3 | -5.7 | 7 |
| Arts and culture | 1.7 | | | -0.1 | 6 |
| Total | 120.0 | -9.6 | 8 | -23.7 | 20 |

Source: Nonprofit expenditure data extrapolated from 1977 Census of Service Industries.

## TABLE 10.4.—THE CHARITABLE NONPROFIT SECTOR IN THE UNITED STATES, 1977

[Dollar amounts in billions]

| Types of organization | Organizations | | Expenditures | Paid employees number |
|---|---|---|---|---|
| | Number | Percentage of total | | |
| Social services | 40,983 | 38 | $8.3 | 676,473 |
| Legal aid services | 1,101 | 1 | .3 | 12,440 |
| Civic, social and fraternal organizations | 34,121 | 32 | 3.6 | 255,924 |
| Education and research | 11,074 | 10 | 15.5 | 980,116 |
| Health | 12,307 | 3 | 44.0 | 2,431,015 |
| Arts and culture | 3,480 | 3 | 1.1 | 59,761 |
| Other | 3,725 | 4 | 1.1 | 44,231 |
| Total | 106,791 | 100 | 73.8 | 4,459,960 |

Source: Adapted from U.S. Census, 1977 Census of Service Industries, SC 77-A-53 (1981), p. 3.

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TABLE 10.5.—FEDERAL OUTLAYS IN FIELDS WHERE NONPROFIT ORGANIZATIONS ARE ACTIVE, FISCAL YEAR 1981 OUTLAYS

| Programs area | Outlays in 1981 | |
|---|---|---|
| | In billions | Percentage of total |
| Social welfare | $26.0 | 15.7 |
| Social services | 7.6 | 4.6 |
| Employment and training | 9.2 | 5.6 |
| Community development | 9.2 | 5.6 |
| Education and research | 24.6 | 14.8 |
| Elementary and secondary | 7.0 | 4.3 |
| Higher education | 12.3 | 7.4 |
| Research and development | 5.3 | 3.2 |
| Health | 64.6 | 39.0 |
| Health finance | 59.4 | 35.9 |
| Health services | 5.2 | 3.1 |
| Income assistance | 41.6 | 25.1 |
| Housing | 6.9 | 4.2 |
| Cash | 16.7 | 10.1 |
| Food | 15.3 | 9.2 |
| Other | 2.7 | 1.6 |
| International aid | 7.5 | 4.6 |
| Arts and culture | 0.7 | 0.4 |
| Environment | 0.6 | 0.4 |
| Total | 165.7 | 100.0 |

Source: Authors' analysis of Federal fiscal year 1981 outlays as reported in the President's 1983 budget

For instance, during much of the 19th century, the provision of social services was a responsibility shared by nonprofit voluntary organizations and State and local government, and was focused on institutional care for the blind, deaf, and the mentally or physically handicapped. Agencies handled home care and direct assistance. During the late 19th and early 20th centuries, pressures mounted for the flow of public funds to social services to be increased, but because Government was not already operating in these areas, much of the increased funding flowed to voluntary organizations.

This pattern continued when the Federal Government entered the social service field in the 1960's. Prior to this time, Federal activity had been limited to providing financial support to selected categories of the needy—such as the blind, the deaf, and dependent children—channeled through State and local government.

In the 1960's in the adoption of a "services strategy" to break the cycle of poverty became a significant factor in the field of social services. However, in the 1962 and 1967 amendments to the Social Security Act, State agencies were instructed to utilize Federal funds to purchase such services from nonprofit providers and since that time the share of Federal social service funding in nonprofit organizations has increased steadily. It has reached 70 to 80 percent in some jurisdictions and service areas.[152] This is also true in health, education, research, housing, community development, and

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the arts. In fact, Government programs have even encouraged the creation of whole new classes of nonprofit organizations where institutions were lacking, for example, economic development districts, research institutes, community mental health centers, and the recent community action agencies.

These partnerships between the Government and private agencies are a vital part of American history. Prominent private nonprofit institutions, such as Harvard, Yale, Massachusetts General Hospital, and the Metropolitan Museum of Art owe their very beginnings and early sustenance to public support.[153] Assistance has taken the following forms:

Research grants to private organizations and individuals;
Grants to nonprofit organizations through State or local government, for example, social services block grant; and
Inkind assistance payments, for example, Medicaid.

The public system now provides a larger share of the resources of nonprofit organizations than all private giving combined, whether from individuals, corporations, or foundations.

The Reagan administration alleged that the budget cuts would expand the service opportunities for private nonprofit organizations, but they will have a far different effect. Indeed, they will reduce the resources available to nonprofit organizations for the maintenance of existing levels of service.[154]

What level of increase in private giving would be needed to compensate for the budget cuts and inflation and would allow nonprofit organizations to maintain the same level of activity they achieved in 1981 over the next 4 years? As shown in the following table, the rate of increase would have to be considerably higher than the high 12 percent increase in nonreligious private giving in 1980. In fact, *during the period 1983 to 1985 the rate of increase needed, due to the budget cuts, would be three to four times this record level.* New opportunities have been created by the budget cuts, but these opportunities are offset by the severe revenue losses these organizations will experience in the process. Consequently, many nonprofit organizations will experience serious difficulty maintaining existing levels of activity.[155] (See tables 10.6 and 10.7.)

TABLE 10.6.—PROJECTED CHANGES IN REVENUES OF NONPROFIT ORGANIZATIONS FROM FEDERAL SOURCES, FISCAL YEARS 1981–85

[In billions of 1981 dollars by fiscal year]

| Type of organization | Actual 1981 | Reductions estimated 1982[1] | 1983 | 1984 | 1985 | Total 1982–85 | Percentage change 1985 versus 1981 |
|---|---|---|---|---|---|---|---|
| Social services | 6.6 | −1.6 | −3.6 | −3.8 | −4.1 | −13.1 | −61 |
| Community development | 2.2 | −0.3 | −1.0 | −1.4 | −1.3 | −4.0 | −59 |
| Education and research | 6.2 | −0.6 | −1.3 | −1.9 | −2.2 | −6.0 | −36 |
| Health | 29.9 | −1.0 | −2.5 | −3.4 | −4.1 | −11.1 | −14 |
| International aid | 0.8 | −0.1 | −0.1 | −0.2 | −0.2 | −0.5 | −23 |
| Arts and culture | 0.3 | −0.1 | −0.1 | −0.2 | −0.2 | −0.5 | −61 |
| Total | 46.1 | −3.7 | −3.7 | −11.0 | −12.1 | −35.3 | −26 |

[1] Deflation calculations use the economic assumptions in the President's 1983 budget. A special deflator, based on administration estimates of health cost growth, was used to deflate outyear Medicare and Medicaid spending.

Source: 1982 Budget and 1983 Budget; authors' analyses. For further discussion of methodology, see Salamon with Abramson, the Federal Government and the Nonprofit Sector.

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TABLE 10.7.—LEVELS OF INCREASE IN PRIVATE GIVING REQUIRED TO HOLD NONPROFIT ORGANIZATIONS AT 1981 SPENDING LEVELS AFTER TAKING ACCOUNT OF INFLATION AND BUDGET CUTS, 1982–85

[In billions of dollars]

| | Private giving in previous year [1] | Estimated revenue loss to nonprofit organizations | Percentage increase [2] |
|---|---|---|---|
| 1982 | 28.8 | −4.1 | 22.1 |
| 1983 | 32.2 | −10.2 | 37.6 |
| 1984 | 36.3 | −14.1 | 43.8 |
| 1985 | 40.8 | −16.7 | 45.6 |

[1] Assumes giving will continue to grow at 1981 rate of 12.3 percent annually for nonreligious organizations.
[2] Percentage increase in private giving needed to maintain existing value of private support and offset lost Federal revenue. Using economic assumptions in the administration's fiscal year 1983 budget.

Source: Data on private giving are from Giving U.S.A., 1982 Annual Report (New York: American Association of Fund-Raising Counsel, Inc., 1982). For sources for data on revenue loss to nonprofits, see table 7–6.

## The Reagan Tax Cuts and Private Giving

It must be understood that levels of private giving are affected by available income and the cost of contributing that income to charity. The cost of giving is complex, but it is clearly understood that if one has a dollar for distribution (assuming tax deductions are itemized), the out-of-pocket cost is less than a dollar—how much less depends on the tax bracket. For instance, for a person in the 70 percent bracket with a dollar available for giving, the cost of giving that dollar is 30 cents, since the government would have taxed 70 cents of the dollar anyway had he not given it to charity.[156] Though other motivational factors should be considered, such as a feeling of attachment to particular institutions, or a desire to engage in moral and religious activities, research indicates that price plays a significant role that cannot be ignored in any serious evaluation of the effects of tax changes on private giving.

Thus, the Economic Recovery Tax Act [ERTA] raised the cost of giving with a reduction of the 70 percent tax bracket to 50 percent, a reduction in the capital gains tax rate, liberalization of estate taxation, and the effective lowering of corporate taxes through changes in depreciation rules. One other aspect of the 1981 ERTA is especially pertinent. The new law permits those who do not itemize their deductions to claim deductions for charitable contributions. This change makes it possible for unscrupulous persons, who do not itemize their deductions, to get tax benefits for contributions they did not make.

TABLE 10.8.—CHANGES IN REVENUE FOR THE AVERAGE NONPROFIT AGENCY 1981–82, BY SOURCE

[In 1981 dollars]

| | Income from source, fiscal year 1981 | Change in income from source, 1981–82 |
|---|---|---|
| Government | 295,665 | −18,530 |
| Direct individual giving | 42,747 | +3,387 |

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TABLE 10.8.—CHANGES IN REVENUE FOR THE AVERAGE NONPROFIT AGENCY 1981–82, BY SOURCE—Continued

[In 1981 dollars]

| | Income from source, fiscal year 1981 | Change in income from source, 1981–82 |
|---|---|---|
| Corporations, foundations, United Way | 84,057 | + 3,235 |
| Fees, charges | 200,001 | + 13,251 |
| Endowment, investments | 32,097 | + 1,323 |
| Other | 63,046 | + 995 |
| Total | 717,613 | + 3,661 |

Source: Lester M. Salamon, "Nonprofit Organizations," in The Reagan Record, table 8.5, p. 282.

It is useful to view this in terms of the increased before-tax and after-tax income that the tax acts are supposed to generate, the increase in the cost of giving produced by the new tax rates, the gradual opening of an above-the-line charitable deduction for taxpayers who do not itemize deductions, and the fact that the number of taxpayers who itemize deductions increases as income rises. Contributions will be less than under the previous law. Table 10.9 provides this analysis.

TABLE 10.9.—PROJECTED PRIVATE INDIVIDUAL GIVING UNDER THE 1981 TAX LAW AND PRE-1981 LAW, 1981–84

[In billions of dollars]

| Year | Actual dollars | | | 1980 dollars | | |
|---|---|---|---|---|---|---|
| | Pre-1981 law | 1981 law | Difference | Pre-1981 law | 1981 law | Difference |
| 1981 | 45.0 | 44.5 | −0.5 | 40.8 | 40.5 | −0.3 |
| 1982 | 52.4 | 49.1 | −3.3 | 43.4 | 41.3 | −2.1 |
| 1983 | 60.2 | 54.7 | −5.5 | 46.0 | 42.9 | −3.1 |
| 1984 | 70.5 | 61.5 | −9.0 | 49.9 | 45.5 | −4.4 |
| Total | 228.1 | 209.8 | −18.3 | 180.1 | 170.2 | −9.9 |

Source: Charles T. Clotfelter and Lester M. Salamon, "The Impact of the 1981 Tax Act on Charitable Giving," National Tax Journal, June 1982.

It is important to understand that with the adoption by President Reagan of the Darwinistic social philosophy of the "survival of fittest," the sense of responsibility to one's neighbor is going to diminish. There is an atmosphere of blaming the victim and social selfishness. Charitable giving is going to decline, and consideration of other features of the law that are likely to discourage private giving—liberalization of estate taxation and easing of 1969 payout requirements of foundations supports this contention. The present level of giving will not even be maintained, let alone attainment of the increased amounts required to meet rising needs generated by the cuts. The problem is that the nonprofit sector, as well as the Government domestic sector, has really been devastated by the cuts.

## Other Effects on Nonprofit Organizations

In addition to the budget and tax cuts, the economic recovery program affected nonprofit organizations in two other ways: (1) By changing the rates on nonprofit bulk mail, and (2) by altering the

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"donor option" provision in the important Combined Federal Campaign Program solicitation.

Nonprofit organizations usually pay lower rates than commercial ones for second-class mail (periodicals), third-class mail, (bulk advertising and solicitations), and fourth-class mail (books). Most important to nonprofit organizations are the lower rates for third-class mail because they apply to a large proportion of their mailings. Approximately 8.6 billion of the 9.8 billion non-first-class pieces mailed by nonprofit organizations in fiscal year 1981 were third-class mail.[157] This directly affects their direct mail fund raising. As part of the Economic Recovery Program, the Reagan administration proposed to cut the subsidy for those reduced rates by 37 percent. As a result, the Postal Service was forced in 1982 to raise the rates that nonprofit organizations must pay for presorted third-class mail from 3.8 cents per piece to 5.9 cents, an increase of 55 percent. For nonprofits that rely on direct mail solicitations, the effect of the increased postal rates may be far greater than the effects of the budget cuts.

Another powerful impact on the nonprofit sector was generated by the change in the Federal Government's own Charitable Solicitation Program, the Combined Federal Campaign [CFC]. Over the past year, inroads have been made into this massive solicitation by nontraditional charities representing minorities, women, environmental groups, and other causes in securing eligibility to receive funds generated through the CFC. There were four charters related to the CFC—the United Way, National Health Agencies, International Services Agencies, and the National Service Agencies—that allocated undesignated funds according to a formula based on past years' experiences allowing local independent agencies to participate in the CFC.[158]

Under a 1982 Executive order this all changed: Authority for a local campaign would be nested in a single campaign under the United Way. Undesignated funds would no longer be distributed by a formula, but on a discretionary basis by the combined fund organization, eliminating many charities. Local charities would not be permitted to participate unless they are affiliated with a national federation.[159] This policy discriminates against all charities except the more popular and traditional ones. Many local charities would lose access to funds because of this.

The overall conclusion is that the administration had no thorough understanding of the nonprofit sector. However, their policy utterances alleged that such private charities would take the place of the Federal social welfare programs that were cut. To the contrary, their budgetary actions contributed to a substantial decline in the funding levels of many nonprofit organizations, leading to substantial major decreases in their ability to provide services.

The question: If the nonprofit organizations and State and local governments are not providing the social services needed for many to survive in the contemporary American urban environment, who is?

The answer: This is the age of survival of the fittest, which means that people, young and old, will perish—persons who would have lived on in an earlier era with a true safety net of programs and a philosophy of caring.

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## CHAPTER 11: AN URBAN NATION—YEARS 1985-2000

### WHAT IS NEEDED: FEDERAL FUNDING AND PROGRAMS

The United States has transformed itself from an agrarian culture into an urban one. In 1982 the farm population was estimated at 5.6 million persons, or 2.4 percent of the total U.S. population. That represents a drop from 9.7 million in 1970, a dramatic shift.[160] This means that America is increasingly a metropolitan nation. The dominant occupations are no longer just in manufacturing, as was the case at the beginning of the century; white collar and service workers, accounted for almost 98 percent of the growth in total employment from 1978 to 1982. The proportion of persons 25 or over who graduated from high school was 71 percent in 1982, compared to 55 percent in 1970.[161]

The significance of the South and the West is growing rapidly, and these areas are becoming the megagrowth areas of the Nation. Of the 5.0 million increase in the population during this period, 2.0 million occurred in the South which grew 3.7 percent, and 1.8 million occurred in the West. The proportion of the Nation's population in the South increased from 48 percent in 1970 to 53 percent in 1982.[162] Those States represented by Nevada, Alaska, Texas, Florida, Wyoming, and Utah had estimated growth rates of over 6 percent.[163] In addition, there were a number of key cities, such as Houston, Albuquerque, Denver, Phoenix, Tucson, and Los Angeles, which have grown dramatically.

There has been a significant change in America and American industry. It should be recognized that our cities need to be rebuilt and redeveloped. James Rouse, the developer who built the West Side Harbor in New York, Farragut Square and Findley Square in Boston, Harbour Square in Baltimore, the new town of Columbia in Maryland, and a number of other regional shopping centers and malls, built most of these facilities by revitalizing the cores of cities. What is needed in looking at urban development in the next 20 years is a revitalization of those inner cities with new development, new structures, and physical redevelopment. Existing infrastructure should be reviewed, particularly transportation facilities, water systems, and sewage treatment facilities, as a prelude to generating creative ideas on how to restructure it. The revitalization of these urban cores is critical as the United States continues to grow more urban.

As a growing population of urban professionals moves into the area because of rising educational attainment and growth, as we move to a high technology society where cybernetics becomes the technological basis, planning is required to meet these changes, to provide for the needs of the baby boom population that has grown up and is now living in the cities. The cities form an interdependent interlocking network, and planners must understand how these



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urban centers can best provide a lifestyle consistent with the American standard of living and within the moderate level of existence that is attainable.

The Federal Government must play a major role in assuring the future of American urban life, and must develop a formula for funding urban centers, whether through revenue sharing, block grants, innovative categorical grants, or a bold new approach. A bold new approach is recommended. The cities should benefit from a partnership with the Federal Government in which Federal tax dollars would be shared, but a more satisfactory and efficient way of doing this should be developed. Federal funding and realistic comprehensive long-range planning will be necessary for American cities to achieve their goals, and should be instituted. The planning process is similar to building a new town. It cannot be subject to major changes every 4 years based on who is President, and must be subject to a regimen for implementing established goals. Systematic revitalization of the cities is required to make America grow, consistent with population trends.

The physical development of cities is very important. Urban transportation should be reconsidered and new transportation systems implemented so that people can depend less on their cars. All urban programs should be innovative and geared toward the needs of the citizens, their environment, and the urban community.

It is interesting that some of the fastest growing cities find race diminishing as an important factor, though 25 of our metropolitan areas have a majority or near majority black population. Under regentrification (white professionals reclaiming residential space at urban cores) integration has taken place in many neighborhoods, an unexpected trend not witnessed since Reconstruction. This is important in the sense that a more adequate understanding of the services, schooling, and other important aspects of urban life must be generated.

As in the beginning of industrialization, American cities must become a basis for industrial growth. The migrations to the cities have transformed them from small towns or small cities, to thriving metropolises of ever-growing scale. Growth must be understood, and the means for providing essential services to residents must be found.

This cannot be achieved without the involvement of the Federal Government in providing financial support and participating in the development of the necessary plans. Cities should approach the development of planning as do developing countries in generating 5-year comprehensive plans, accounting for migration, the growth rate and death rate, and providing for the impact of young people who have not had the proper schooling to enter the labor market and make their contribution.

The kind of comprehensive planning the State Department requires of developing countries for funding should be no less a standard for the cities for Federal or private funding. It is very important to look at the characteristics of the cities to create a growth index so that it can be ascertained that the correct type of stimulus is being provided to allow these essential institutions to reach their optimum levels of growth and operational efficiency.

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This is required to assure that cities will provide the kinds of services that will meet their constitutents' needs.

The cities of the American future are going to provide a labor base with more white collar than blue collar jobs. This will have direct implications for the kinds of education and training that we provide for our young people. A realistic and creative review of education and its impact on the community must be conducted to illuminate these implications. It is also important to understand that the cities need to provide employment for their people, and that public services should be the employer of the last resort. Young urban residents should be put to work rebuilding urban America. They should be organized into groups designed to assist in building the highways, cleaning the waterways, assisting in transport development in the cities, rebuilding the hospitals, and painting public housing in a good paint-up fix-up program. This would be the first stage of trying to use human capital in a creative way to benefit the community. Private sector financing is fundamental to this, and is discussed in the next chapter.

### The District of Columbia in an Urban Nation—1985-2000

The District of Columbia is considered one of the world's best planned cities. Its image is that of a clean if somewhat tattered city. A majority of the District of Columbia's population is black.

Forty-one percent of the available commercial land houses the facilities of the Federal Government.[164] This sets up a unique fiscal arrangement between the Government and the District of Columbia since the Federal Government does not pay local real estate taxes. The Federal Government compensates the District for services rendered and revenues lost. However, the compensation, the Federal payment, is not believed by many to adequately cover the commercial tax base loss.

The District also has a recent home rule charter, instituted in 1974, which gives it partial home rule and this is significant for the budgetary process. However, the District does not have the full operating budget to supply the services necessary to meet the needs of its people, and could least afford the Reagan cutbacks. It is necessary for the Federal Government to enter a partnership to set up the District as a model urban center as the national capital and as a city whose populace is in need.

> There is a need for a type of partnership that allows creative innovation, innovative development of urban funded projects to cover the broad spectrum of education, health and social welfare which would be representative as pilot projects to be tried in other communities.[165]

The type of innovative thinking would allow the District to serve as the Western World's capital showcase.

The District of Columbia lacks the political enfranchisement necessary for developing self-determination. For example, its present congressional representative is a nonvoting delegate in the U.S. House of Representatives. The citizens of the District of Columbia have been denied true representation, a political process that is the crux of the democratic ideal. It is no surprise that a strong advocacy of statehood for the District of Columbia has arisen. The District would be no smaller than States like Delaware and Rhode Island,

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and would be larger than many others in terms of per capita taxation. This important step would result in the District having its own constitution, Governor, and control of its political process. It is also important to consider that at least 65 percent of the District's population is comprised of minority persons, who have historically been denied full political enfranchisement. Providing the political status and independence of statehood to the District of Columbia would communicate an important message for democracy throughout the world, and this change will enhance the partnership between the Federal Government and the District of Columbia.[166] It is therefore recommended that the District of Columbia be granted statehood.

The District of Columbia suffered the worst per capita loss in Federal funding of any State level jurisdiction, and can least afford to weather the economic storm that the Reagan budget cuts have created. In the course of 10 years of home rule the District of Columbia has been trying to handle the shift of power from the Federal level, principally Congress, to the local level. There was an exodus of business from the District when home rule came about because of anticipated tax increases, and further increases in property and individual taxes will drive more persons and businesses to the Maryland and Virginia suburbs.[167]

The District requires special relief and assistance to cope with its unique set of problems. Elected officials in the District are caught in a constricted economic base with limited options for alleviating pressing social and economic problems.

It is important to remember that the District has a minority population of over 50 percent. This creates problems that other cities do not face, related principally to an overwhelming poverty cycle that black Americans face disproportionately because of their unique history of social and economic discrimination in America. The District government should have more resources and more fiscal flexibility to cope with this phenomenon, not less. This is not to suggest that all black District residents are poor; that is far from true. But because such a large majority of the District is black, and because a much higher proportion of blacks live in poverty than the population at large, a higher proportion of the District population is impoverished than is the case with a great many other cities. However, all members of the minority population are potential victims of discrimination in terms of "life, liberty, and pursuit of happiness"; for example, jobs, housing, education, and justice. This factor brings an enormous amount of pressure to bear on the city management to cope with District human resources problems.

Like other urban centers, the District of Columbia needs a creative pact with the Federal Government to manage the very difficult problems of limited capital resources to handle operating problems, to fund services, to cope with the fallout from high unemployment, and to prevent the flight of businesses to the suburbs. Their cumbersome annual budgetary deliberations require approvals from four different authorities (the mayor, the city council, the White House, and Congress) which often conflict with being responsive to residents' needs.

What happened to the District in the budget cuts, and the problems it is now facing can only be structurally corrected when the

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citizens of the District of Columbia get full voting representation in Congress and when the District becomes a State. The District of Columbia is an urban center that should be a national priority.

In summary, it is suggested that the District of Columbia be provided the type of innovative program funding to reflect new ideas, new thoughts, and new trends appropriate for other American urban centers. Thus, any Federal agency attempting to do innovative projects throughout the country should certainly include an initial pilot project in those vital human resources or domestic program areas in the District of Columbia. If this is done, the full resources of the Federal Government would be used to develop the District human resources network to its maximum capacity consistent with the physical development of the city.

In the future the District of Columbia will be said to be not only physically attractive, but also a city whose people have had every opportunity to develop to the maximum extent possible.

It is important to focus on the marriage between the Federal Government and the District of Columbia as being a new, exciting and dynamic one that can lead to innovative urban development for the District and the Nation.

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## CHAPTER 12. SUMMARY: THE URBAN RECOVERY—A LOOK AHEAD AND SOME SUGGESTIONS

The historical governmental approach to administering grants-in-aid to the States has been subject to the political process and to each President's philosophy and ideological predispositions in managing the budget. Funding levels for the myriad of grants increased or decreased against all logic and almost capriciously, eroding the ability of local officials to provide services effectively and with continuity to their constituents. The result is that urban Americans—the majority of Americans—suffer in the mercurial performance of the Federal Government's grants systems.

A better way must be found, beyond a Democratic or Republican ideology, if American cities are to be revitalized. Long-range goal setting is required, and implementation must take place apart from considerations of partisan politics. For instance, when the space program was developed in the 1960's, a major goal was to put an American on the moon, and Federal management resources backed that goal regardless of changes in administrations. Success was achieved in a long-term developmental process by bipartisan cooperation in setting national priorities, establishing goals within those priorities, and managing the Government to achieve those goals.

Such a process is needed for the successful long-term redevelopment and reconstruction of American cities, and the enhancement of the delivery of Government services in these areas. The goals should be to rebuild the cities and to enhance the quality of life in them. New administrative systems will be required to facilitate this. The following innovations are recommended:

### Urban Comprehensive Planning

The U.S. Government needs to take some bold new steps to develop its urban areas in the same fashion that we find appropriate for recommending for developing countries. We should require urban centers interested in obtaining financing for capital improvements, but not for operating costs, to submit comprehensive development plans to a new financing entity. These plans would be similar to development plans that the State Department requires developing countries to submit when they are seeking U.S. support. As a minimal requirement, 5-year planning projections of growth and development should be required, which would constitute a broad step toward national program planning for the growth of U.S. urban areas. Such projections would be used by every relevant Federal agency in assessing the funding requirements of particular cities; they would foster more holistic planning.



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### Domestic Reconstruction and Development Fund

A Domestic Reconstruction and Development Fund is needed, a domestic reconstruction development bank, similar to the World Bank except that the concept would be to lend domestically to urban centers on a long-term (5- to 20-year) low interest basis. It would provide long-term financing at below-market interest rates to cities for capital improvements. The fund would be quasi-public, and money would come from the private sector with Government guarantees. Cities that are candidates for funding would be required to submit their urban comprehensive plans for the years coinciding with the terms of the projected loans.

The private sector would invest in this development fund by purchasing tax free debentures (bonds) which would yield an interest rate consistent with what the fund is paying but below the market. The difference between these interest rates and a fair market investment rate could be written off as a tax credit.

For instance, if the fair market investment rate was 10 percent and the fund was paying yields at 6 percent, participating corporations would then take 4 percent off as a tax credit based on their total investment level in buying the debentures.

The Federal Government would guarantee up to 100-percent repayment of the principal of the investment. Thus, these bonds will have the highest rating because of the Government guarantees, and the private sector would be encouraged to invest in the urban Domestic Reconstruction and Development Fund, and it would be administered on a national banking basis similar to World Bank financing methods. New legislation would be required to create such an entity.

### Urban Development Corporations

Prospective client cities also would develop urban development corporations as was done in New York City, where the Federal Government made financial guarantees to pull that city out of a financial crisis more than five years ago. The purpose of the urban Domestic Reconstruction and Development Fund would be to provide the necessary capital formation on a loan basis for urban improvements in terms of capital improvements and major infrastructure redevelopment, et cetera, and the loans would be made directly to the urban development corporations. It would allow for massive construction of projects such as Harbor Square, Baltimore and other similar developments in New York, Boston, and elsewhere, also, this would allow for the renovation of railroad tracks and bridges, sewer systems, and other infrastructure development necessary for urban revitalization.

A urban domestic development fund is a necessary legislative initiative to begin the urban revitalization process. The savings to the Federal Government would be substantial because Federal grants-in-aid and block grants can be scaled down to a minimal level, and eliminated altogether within 10 years.

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URBAN DEVELOPMENT CORPORATIONS AND URBAN RESIDENTS CORPS

The third aspect of a vital urban recovery program is related to the many individuals who are unemployed due to job relocation or phasing out of jobs in industries such as steel and autos. These individuals are probably unskilled or semiskilled, especially for the 1980's job market. They could be utilized by cities across America in urban development corporations primarily set up to revitalize the cities, as previously mentioned. They would also be used to train or retrain men and women 18 to 55 as another major mission. They would be used to provide unskilled and semiskilled personpower for the development and revitalization process of urban area infrastructure, et cetera. This would be the paint-up and fix-up corps that would be used for painting city hospitals, public housing, and also would provide the necessary personpower for cleaning the waterways, repairing bridges, fixing the railroad tracks, et cetera.

Local urban development corporations could be a very vital ongoing force for growth and positive change in the urban communities of America. After a person has acquired a certain level of skill after 1 to 3 years in the corporation, he or she would be placed in the other types of positions. A person's tenure in the Urban Development Corporation would be no more than 5 years. However, during that time employment goals and strategies would be utilized so that he or she would go back to the private sector labor market. This is not to be confused with programs such as the Neighborhood Youth Corps or CETA training, for it would consist of a specific utilization of human resources in the context of urban revitalization only. Specific plans would be developed with the appropriate Federal department and would be a very important part of the orchestration of urban redevelopment for each city. Programs under existing training legislation, such as the Job Training Partnership Act, can also be utilized in this type of training effort.

The urban development corporations would utilize these individuals in a very significant way, coordinating with appropriate Federal agencies as necessary. Work on water pollution would be coordinated with the EPA; when work on railroad tracks is required, it would be the Department of Transportation; when it is housing, it would be HUD, et cetera. Substantial interagency coordination would be required, and considerable technical assistance for the cities would be provided by the Federal Government and the Domestic Development Fund.

In summary, unemployed Americans must be put back to work, and private sector growth is not fast enough to absorb all segments of unemployment. Evidence suggests that it can no longer be argued that those who are not working do not want to work. It should be recognized that modern industry is shifting from an industrial base to a high technology base, and that is going to displace a great many workers, who must be retrained and put into appropriate job placements in the private or public sector. This could be a resource of persons to be utilized by the urban development corporations to aid in rebuilding American cities.

Each Urban Development Program would be unique in the sense that it would have to relate to the comprehensive plan submitted

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by that city to the Domestic Development Fund, presenting its goals for redevelopment.

### Corporate Urban Technical Centers

Finally, corporate urban technical centers should be developed by private firms as wholly owned subsidiaries. They would be ran much like the training programs in large Japanese corporations for their employees. The firm would get a tax incentive to write off the cost of the startup and skills development aspects of their corporate urban technical centers. These centers would provide skills training in classrooms and on-the-job training to impart technical skills, such as accounting, bookkeeping, data processing, computer operation, and computer programming, and other skills projected for human resources development from 1985 into 2025. In addition, there would be a tax credit for the internal corporate retention of successful trainees for a minimum of 1 year. A partial tax credit would also be given for placing those individuals in other corporations for permanent jobs. These are necessary incentives to get large corporations involved in retraining individuals for available white collar jobs in a normal manner, without calling such institutions as the Job Corps into the picture. In essence this would be a post-high school training program to facilitate entry into those segments of the job market that are currently expanding. Skills necessary for private sector expansion would be provided to the available pool of workers. (Examples are skills in high technology industries and data processing.) It should be noted that these tech centers could be located within urban enterprise zones.

Some startup capital could be guaranteed from the Government for these urban tech centers. A Corporate Urban Technical Center Fund would be used for training urban residents, but this could be a 50-percent public fund, and the private sector would subscribe to the remaining 50 percent. In either case, there would be only one corporate group of trainees, and neither economic level nor skill deficiency would be a criterion for entry into the program, effectively removing the stigma of training participation.

This becomes the basic factor in the marriage between the Federal Government and the private sector in helping to train urban young people and disadvantaged individuals. This is private industry employment and training. It will be integrated into the ongoing training process and operations of industry, not segregated and apart from it.

### Conclusion

It is important to recognize that such new ideas are necessary for the urban recovery so vitally needed in America today. Urban revitalization can only take place with the type of financial and technical assistance in which the Federal Government and private industry play a strong role in creating the means for true recovery and continuous opportunity for the American people.

Federal grants-in-aid to the cities, whether made directly to urban governments or through State agencies, must become devoid of political and economic biases or volatility so that the quality of life of urban Americans can be improved. The previous suggestions

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for urban programming address these goals and allow for a permanent structure to deal with the funding of urban centers without political bias.

The limitations of this research do not allow for a full elaboration of these recommendations under cover of this report, but the next steps should be taken to fully explore and develop them for implementation. The growing suffering that is appearing in our urban communities must be stopped.

By the year 2000 we will either have a country truly striving for a great vital society or a country markedly stratified by hereditary privilege.

If the latter is the case, it will contradict our national sense of being and the historical basis of our existence.

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## FOOTNOTES

*Staff summary and conclusions*

[1] "Special Analyses: Budget of the U.S. Government, 1978." Executive Office of the President of the United States. p. 235.

*Chapter 1*

[2] Rich, Spencer. "The Skeptics are Wrong—Anti-Poverty Programs Do Work." Washington Post. May 6, 1984. pp. F1, F4.
[3] Stein, Herbert. "Presidential Economics: the Making of Economic Policy from Roosevelt to Reagan and Beyond." New York, Simon and Schuster, 1984. p. 89.
[4] Ibid., p. 102.
[5] Ibid., p. 104.
[6] Ibid., p. 105.
[7] Ibid., p. 107.
[8] Levitan, Sar A. "The Promise of Greatness." Cambridge, Mass., Harvard University Press, 1976. p. 3.
[9] Stein, Presidential Economics, p. 114.
[10] Ibid., p. 115.
[11] Ibid., p. 120.
[12] Ibid., p. 121.
[13] Economic Opportunity Act of 1964. Public Law 88-452, 88th Congress, S. 2642. August 20, 1964, p. 1.
[14] Ibid.
[15] Ibid., pp. 11-12.
[16] Rich, "The Skeptics are Wrong," p. F1.
[17] Ibid., p. F4.
[18] "Population Profile of the United States: 1982." Washington, U.S. Bureau of the Census, 1983 pp. 6-79.
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Vaughan, Roger J., Pascal, Anthony H. and Vaiana, Mary E. Federal Urban Policies: The Harmful Helping Hand. Federal Urban Policies, v. 3, Fall 1980: 27-39. HJ 275 C.

Viscount, Francis. City Fiscal Condition and Outlook for Fiscal Year 1984. Washington, National League of Cities. 31 p.

Where Supercities Are Growing Fastest. U.S. News & World Report, v. 88, June 30, 1980: 52-55. JS 300 U.S. Gen.

## APPENDIX A—METHODOLOGICAL APPENDIX

This appendix describes how the numbers in the major tables were generated. These tables, it will be recalled, are entitled "Federal Grants-in-Aid to the States for Urban-Related Programs," and they present the data that are fundamental to the analysis embodied in this report. It is, therefore, important to state clearly how these numbers were derived.

### Basic Data Sources

The data sources for these tables were:

For data for fiscal years 1964 through 1968 . . . U.S. Department of the Treasury. Report of the Secretary of the Treasury. Various years (1964-68).

For data for fiscal years 1969 through 1982 . . . U.S. Department of the Treasury. Fiscal Service. Federal aid to States. Various years (1969-82).

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For data for fiscal year 1983 ——— U.S. Department of Commerce. Bureau of the Census. Federal expenditures by State for fiscal year 1983. March 1984.

All of the data for these tables were derived from these sources and no others.

### Selection of Data From Sources

Since these publications variously report all grants-in-aid for all purposes made by the Federal Government to State governments, local governments, certain other entities, as well as to individuals, the procedure for extracting the amounts for urban-related programs from this sea of data must be indicated.

It is difficult to identify many programs that are purely urban in their orientation and impact. However, many programs have a strong urban emphasis. Such as the housing programs of the U.S. Department of Housing and Urban Development. Others, such as the Commodity Credit Corporation programs of the U.S. Department of Agriculture, are primarily rural in nature. There are some programs, Medicare for example, that are difficult to label either urban or rural in their central emphasis. However, since more than 75 percent of the U.S. population now resides in metropolitan areas, the impact of most such social welfare programs is bound to be mainly urban. Therefore, an argument could be made that all programs that are not obviously agricultural in nature are mainly urban because residents of metropolitan areas comprise the bulk of the population.

In reviewing all of the Federal grant-in-aid programs to the States, it became apparent that beyond the general notions stated above, there would have to be a factor of arbitrary judgment in the decisions about what to include as urban relevant programs in the data for this study. Table M.1 indicates the programs included in each of the major policy areas of the study. These policy areas are indicators of major aspects of urban existence.

The major policy areas are listed below and involve, in each instance, only funds outlayed by the agencies indicated in parentheses, except where noted otherwise in the tables themselves. Certain programs were moved during the 1964–83 study period, and they are always entered in the amounts for the agencies in which they resided in particular years, with the exception of the funds for the constitution of waste management facilities, which are included in the EPA amounts from 1967 to 1970 when the U.S. Department of the Interior (which was not a study agency), administered this program.

Housing (U.S. Department of Housing and Urban Development; Housing and Home Finance Agency).

Transportation (U.S. Department of Transportation).

Public Safety (U.S. Department of Justice).

Employment (U.S. Department of Labor).

Environment (Environmental Protection Agency).

Economic Development and Opportunity (U.S. Department of Commerce; Office of Economic Opportunity).

Education (U.S. Department of Health, Education, and Welfare; U.S. Department of Education).

Health and Welfare (U.S. Department of Health, Education, and Welfare; U.S. Department of Health and Human Services).

In the listing in table A.1 it should be noted that some of the programs changed names at least once. In almost all instances where this occurred, there are two or more listings, one for each name.

### Special Reporting Problem

In the data reports noted earlier, there is a change in the reporting from 1968 to 1969. For the years 1964 through 1968 the reports provided two sets of figures:

Part A—which provided grant-in-aid amounts from the Federal Government to the States disbursed directly to State and local government entities;

Part B—which indicated the State-by-State amounts that went directly to individuals and private institutions.

From 1969 through 1983 there is only one set of figures provided, representing only the amounts paid directly to States and to local government entities. What had been reported in part B—amounts paid directly to individuals and institutions without State or local government involvement—was no longer reported, although monies have continued to flow directly to such parties.

Faced with this change, the project study director had two alternatives:

Reporting both A and B amounts, which would require an enormous additional effort to get the part B amounts from each Federal agency directly for the years 1969 through 1983; or

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Reporting only part A amounts for the entire 1964–83 study period.

Faced with limited project resources, the first option was elected. Therefore,

The reader should be aware that *the amounts reported in this study are only for payments made directly to State or local government agencies; amounts paid directly to individuals and private institutions are not included.* This is consistent with the study emphasis on Federal aid to State and local governments for urban purposes, and will not greatly affect the principal outcomes and findings of this research. The amount reported in the study in the various major policy areas would be greater if payments to individuals and private institutions had been included. However, the basic dynamics of the management of Federal aid to the States and local areas can still be adequately understood.

### Computations

Once assembled, the data were keyed into machine–readable format and processed with computing machines to yield the principal tables.

The sums for the eight program areas were first computed in current dollars. It was noted that there had been very substantial inflation during the 1964 to 1983 study period. In an attempt to get a better measure of the year to year changes in Federal grants-in-aid to the States for these various program areas. This was done by:

Using the following publications:

U.S. Department of Commerce. Bureau of Economic Analysis. Business Statistics 1982.

U.S. Department of Commerce. Bureau of Economic Analysis. Survey of Current Business. Revised Estimates of the National Income and Product Accounts. Vol. 64. No. 7. July 1984.

Developing an implicit price deflator for each Federal fiscal year from 1964 to 1983 by:

Selecting the implicit price deflator for Government purchases of goods and services as the most appropriate for this application;

Averaging the quarterly deflators for quarters falling within the particular fiscal year;

Dividing each of the program area amounts by the derived deflators;

Computing the absolute and percentage changes from year to year.

The result was a revised version of the data in 1972 dollars. These figures are provided in appendix B.

## TABLE A 1.—PROGRAMS INCLUDED IN THE ANALYSIS BY MAJOR POLICY AREA

### Housing

(U.S. Department of Housing and Urban Development; Housing and Home Finance Agency)

Community Development Training
Troubled Projects Operating Subsidy
Community Development Block Grants
Low Rent Public Housing
Model Cities Programs
Neighborhood Facilities
Open Space Land Programs
Comprehensive Planning Assistance
Urban Renewal
Basic Water and Sewer Facilities
Urban Development Action Grants
Low Income Housing Demonstration Programs
Urban Planning Grants
Metropolitan Development
Urban Mass Transportation

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### Transportation

(U.S. Department of Transportation)

Highway Beautification

National Scenic

Urban Mass Transportation

### Public Safety

(U.S. Department of Justice)

Law Enforcement Assistance

### Employment

(U.S. Department of Labor)

Concentrated Employment Program
Job Corps
Cooperative Area Manpower Planning
Jobs Optional
Emergency Employment Assistance
Comprehensive Manpower Act
Employment Services
Public Service Employment
Institutional Training
Temporary Employment Assistance
Manpower Training Services
Community Service Employment for Older Americans
Manpower Trust Fund
Neighborhood Youth Corps
Operation Mainstream
Public Service Careers
Employment and Training Assistance
Unemployment Compensation and ESA
Adult Work Training and Development
Manpower Development and Training Activity
Manpower Development and Training Act, Summer
Research, Experimental, and Demonstration Projects
Supplemental Training and Employment Programs
Public Employment Program
Miscellaneous Labor

### Environment

(Environmental Protection Agency)

Construction of Waste Management Facilities

Abatement and Control

Water Supply and Pollution Control

### Economic Development and Opportunity

(U.S. Department of Commerce; Office of Economic Opportunity)

EDA: Job Opportunities Program
EDA: Economic Adjustment Assistance Programs
EDA: Planning, Technical Assistance, and Research
EDA: Local Public Works Program
Minority Business Enterprise
Community Services Administration
Community Action Programs
Work Experience and Training Programs
Adult Basic Education
Neighborhood Youth Corps
Development Facilities Grant
Planning and Research

### Education

(U.S. Department of Health, Education and Welfare; U.S. Department of Education)

Occupational, Vocational, and Adult Education
Education for the Handicapped
Educational Development
Elementary and Secondary Education
Emergency School Assistance
School Assistance for Federally Affected Areas
Innovative and Experimental Programs
Construction Assistance for Public Schools
Maintenance and Operation of Schools

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National Teacher Corps
School Improvement Programs
Cooperative Vocational Education
Library Services
Higher Education Facilities
Equal Education Opportunity
Higher Education Activities
Child Development
Education Professions Development
Higher and Continuing Education
Rehabilitation Services, Handicapped Research
Special Projects and Training
Student Financial Assistance
Bilingual Education
Library Resources
Compensatory Education for the Disadvantaged
Special Programs and Populations

## Health and Welfare

(U.S. Department of Health, Education and Welfare; U.S. Department of Health and Human Services)

Community Health Practice and Research
Chronic Diseases and Health of the Aged
Communicable Disease Activities
Construction: Hospital Activities and Health Research Centers
Community Health Services
Comprehensive Health Planning and Services
Mental Health Research and Services
Urban, Industrial, and Radiological Health
Comprehensive Health Planning Services
Control of Tuberculosis and Venereal Diseases
Administration on Aging
Community Health Service
Health Services Delivery
Health Services Planning and Development
Preventive Health Services
Mental Health Activities
Water Supply and Pollution Control
Waste Treatment Works
Air Pollution
Dental Services and Resources
Environmental Engineering and Sanitation
Medical Care Services
Health Manpower Education and Utilization
Regional Medical Services
Child Health and Human Development
Environmental Control
Dental Health Activities
Maternal and Child Health Services
Services for Crippled Children
Child Welfare Services
Old-Age Assistance
Aid to Dependent Children
Aid to the Permanently and Totally Disabled
Aid to the Blind
Aid to the Aged, Blind, or Disabled
Medical Assistance for the Aged
Vocational Rehabilitation Administration
Public Assistance
Maternal and Child Health and Welfare Services
Maintenance Payment Grants
Medical Assistance Grants
Mental Retardation
Public Assistance Grants
Rehabilitation Services and Facilities Grants
Social Services Training and Demonstration Projects
Work Incentive Activities
Juvenile Delinquency Prevention and Control
Maternal and Child Health and Welfare
Maternal and Child Health Rehabilitation Services and Facilities
Social Services, Administration, Training and Demonstration Projects
Maintenance Assistance
Medical Assistance
Social Services
State and Local Training
Social and Rehabilitation Services
Work Incentive
Social and Child Welfare Services
Work Incentives
Community Services Block Grant Program
American Printing House for the Blind
Research and Training
Health Certification for Medicare
Supplemental Security Income
Miscellaneous Health and Welfare Programs

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## APPENDIX B—MAIN TABLES IN CONSTANT (1972) DOLLARS

### TABLE B 1 —BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, JOHNSON ADMINISTRATION, FISCAL YEARS 1965–68

(In thousands of constant 1972 dollars)

| | 1965 | 1964–65 actual increase (decrease) | 1964–65 percent increase (decrease) | 1966 | 1965–66 actual increase (decrease) | 1965–66 percent increase (decrease) | 1967 | 1966–67 actual increase (decrease) | 1966–67 percent increase (decrease) | 1968 | 1967–68 actual increase (decrease) | 1967–68 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 816.433 | 151.961 | 22.9 | 882.986 | 66.553 | 8.2 | 1.007.195 | 124.208 | 12.3 | 1.258.081 | 250.886 | 24.9 | 3.964.695 |
| Transportation | | | | | | | 32.596 | 32.596 | 100.0 | 52.329 | 19.733 | 60.5 | 84.925 |
| Public safety | | | | | | | 3.747 | 3.747 | 100.0 | 5.517 | 1.771 | 47.3 | 9.264 |
| Employment | 35.288 | 35.288 | 100.0 | 33.179 | (2.108) | (6.0) | 33.878 | 698 | 2.1 | 101.653 | 67.776 | 200.1 | 203.998 |
| Environment | | | | | | | 137.950 | 137.950 | 100.0 | 178.038 | 40.087 | 29.1 | 315.988 |
| Economic development and opportunity | 179.917 | 179.917 | 100.0 | 1.007.231 | 827.314 | 459.8 | 1.560.302 | 553.071 | 35.4 | 2.061.379 | 501.077 | 32.1 | 4.808.829 |
| Education | 786.664 | 191.104 | 32.1 | 2.087.045 | 1.300.382 | 165.3 | 3.048.020 | 960.975 | 31.5 | 3.688.694 | 640.674 | 21.0 | 9.610.423 |
| Health and welfare | 2.565.469 | 142.726 | 2.6 | 6.266.956 | 601.487 | 10.6 | 6.975.865 | 708.909 | 10.2 | 8.754.667 | 1.778.802 | 25.5 | 27.662.957 |
| Total | 4.383.772 | 700.996 | 10.3 | 10.277.398 | 2.793.627 | 37.3 | 12.799.552 | 2.522.154 | 19.7 | 16.100.358 | 3.300.806 | 25.8 | 46.661.079 |



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## TABLE B.2.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, NIXON ADMINISTRATION, FISCAL YEARS 1969–72

[In thousands of constant 1972 dollars]

| | 1969 | 1968–69 actual increase (decrease) | 1968–69 percent increase (decrease) | 1970 | 1969–70 actual increase (decrease) | 1969–70 percent increase (decrease) | 1971 | 1970–71 actual increase (decrease) | 1970–71 percent increase (decrease) | 1972 | 1971–72 actual increase (decrease) | 1971–72 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 1,335,997 | 77,917 | 6.2 | 2,098,746 | 762,749 | 57.1 | 2,332,320 | 233,574 | 30.6 | 2,812,066 | 479,746 | 20.6 | 8,579,129 |
| Transportation | 200,539 | 148,210 | 283.2 | 135,419 | (65,120) | (32.5) | 176,961 | 41,542 | (63.8) | 219,806 | 42,845 | 24.2 | 732,725 |
| Public safety | 36,008 | 30,490 | 552.6 | 47,366 | 11,359 | 31.5 | 213,479 | 166,113 | 1,462.4 | 332,514 | 119,035 | 55.8 | 629,367 |
| Employment | 521,899 | 420,246 | 413.4 | 814,980 | 293,081 | 56.2 | 1,149,606 | 334,626 | 114.2 | 1,191,170 | 41,564 | 3.6 | 3,677,655 |
| Environment | 203,365 | 25,327 | 14.2 | 246,444 | 43,079 | 21.2 | 521,096 | 274,652 | 637.6 | 425,317 | (95,779) | (18.4) | 1,396,222 |
| Economic development and opportunity | 1,979,905 | (81,474) | (4.0) | 2,018,104 | 38,199 | 1.9 | 1,408,501 | (609,603) | (1,595.8) | 1,147,740 | (260,761) | (18.5) | 6,554,250 |
| Education | 3,187,319 | (501,375) | (13.6) | 3,324,101 | 136,782 | 4.3 | 3,528,334 | 204,233 | 149.3 | 3,804,524 | 276,189 | 7.8 | 13,844,278 |
| Health and welfare | 9,617,030 | 862,364 | 9.9 | 10,685,633 | 1,068,602 | 11.1 | 12,346,510 | 1,660,877 | 155.4 | 15,858,507 | 3,511,997 | 28.4 | 48,507,680 |
| Total | 17,082,062 | 981,704 | 6.1 | 19,370,793 | 2,288,731 | 13.4 | 21,676,807 | 2,306,014 | 100.8 | 25,791,643 | 4,114,836 | 20.6 | 83,921,306 |

## TABLE B.3.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, NIXON-FORD ADMINISTRATION, FISCAL YEARS 1973–76

[In thousands of constant 1972 dollars]

| | 1973 | 1972–73 actual increase (decrease) | 1972–73 percent increase (decrease) | 1974 | 1973–74 actual increase (decrease) | 1973–74 percent increase (decrease) | 1975 | 1974–75 actual increase (decrease) | 1974–75 percent increase (decrease) | 1976 | 1975–76 actual increase (decrease) | 1975–76 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 2,875,419 | 63,353 | 2.3 | 2,826,402 | (49,018) | (1.7) | 2,770,616 | (55,785) | (2.0) | 3,064,526 | 293,910 | 10.6 | 11,536,963 |
| Transportation | 548,794 | 328,988 | 149.7 | 551,687 | 2,893 | .5 | 812,496 | 260,809 | 47.3 | 1,164,256 | 351,761 | 43.3 | 3,077,233 |
| Public safety | 520,682 | 188,158 | 56.6 | 598,247 | 77,564 | 14.9 | 582,116 | (16,131) | (2.7) | 585,721 | 3,605 | .6 | 2,286,766 |
| Employment | 1,868,493 | 677,329 | 56.9 | 2,357,165 | 488,667 | 26.2 | 3,202,727 | 845,561 | 35.9 | 4,528,156 | 1,325,429 | 41.4 | 11,956,547 |
| Environment | 667,488 | 237,171 | 55.8 | 1,388,624 | 726,136 | 109.6 | 1,631,109 | 242,484 | 17.5 | 1,909,781 | 278,672 | 17.1 | 5,592,002 |
| Economic development and opportunity | 698,809 | (448,930) | (39.1) | 591,428 | (107,382) | (15.4) | 434,788 | (156,639) | (26.5) | 616,776 | 181,988 | 41.9 | 2,341,801 |
| Education | 3,653,905 | (150,619) | (4.0) | 3,422,729 | (231,176) | (6.3) | 3,430,754 | 8,025 | .2 | 2,956,598 | (474,157) | (13.8) | 13,463,986 |
| Health and welfare | 12,781,760 | (2,076,747) | (13.1) | 13,675,720 | (106,040) | (.8) | 14,342,886 | 667,166 | 4.9 | 15,342,379 | 999,492 | 7.0 | 57,142,745 |
| Total | 24,610,356 | (1,181,287) | (4.6) | 25,412,002 | 801,646 | 3.3 | 27,207,492 | 1,795,491 | 7.1 | 30,168,192 | 2,960,700 | 10.9 | 107,398,043 |



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## TABLE B.4.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, CARTER ADMINISTRATION, FISCAL YEARS 1977–80

(In thousands of constant 1972 dollars)

| | 1977 | 1976–77 actual increase (decrease) | 1976–77 percent increase (decrease) | 1978 | 1977–78 actual increase (decrease) | 1977–78 percent increase (decrease) | 1979 | 1978–79 actual increase (decrease) | 1978–79 percent increase (decrease) | 1980 | 1979–80 actual increase (decrease) | 1979–80 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 3,522,177 | 457,651 | 14.9 | 3,581,328 | 59,151 | 1.7 | 3,772,834 | 191,506 | 5.3 | 4,198,839 | 426,004 | 11.3 | 15,075,178 |
| Transportation | 1,129,119 | (35,138) | (3.0) | 1,272,879 | 143,760 | 12.7 | 1,438,360 | 165,581 | 13.0 | 1,710,516 | 272,056 | 18.9 | 5,550,974 |
| Public safety | 477,146 | (108,575) | (18.5) | 357,109 | (120,036) | (25.2) | 292,357 | (64,752) | (18.1) | 240,100 | (52,257) | (17.9) | 1,366,712 |
| Employment | 4,664,234 | 136,128 | 3.0 | 6,753,931 | 2,089,647 | 44.8 | 6,060,705 | (693,226) | (10.3) | 5,273,585 | (787,120) | (13.0) | 22,752,505 |
| Environment | 2,557,742 | 647,962 | 33.9 | 2,166,804 | (390,939) | (15.3) | 2,330,906 | 164,102 | 7.6 | 2,451,458 | 120,552 | 5.2 | 9,506,910 |
| Economic development and opportunity | 1,011,234 | 394,457 | 64.0 | 2,570,053 | 1,558,820 | 154.2 | 1,649,164 | (920,889) | (35.8) | 1,589,174 | (59,990) | (3.6) | 6,819,625 |
| Education | 2,981,328 | 24,731 | .8 | 3,190,146 | 208,817 | 7.0 | 3,521,180 | 331,034 | 10.4 | 3,682,110 | 160,930 | 4.6 | 13,374,764 |
| Health and welfare | 15,723,491 | 381,113 | 2.5 | 15,517,372 | (206,119) | (1.3) | 15,367,871 | (149,501) | (1.0) | 15,107,613 | (260,258) | (1.7) | 61,716,347 |
| Total | 32,066,521 | 1,898,328 | 6.3 | 35,409,622 | 3,343,101 | 10.4 | 34,433,477 | (976,145) | (2.8) | 34,253,394 | (180,083) | (.5) | 136,163,015 |

## TABLE B.5.—BUDGET OUTLAYS FOR FEDERAL GRANTS-IN-AID, REAGAN ADMINISTRATION, FISCAL YEARS 1981–83

(In thousands of constant 1972 dollars)

| | 1981 | 1980–81 actual increase (decrease) | 1980–81 percent increase (decrease) | 1982 | 1981–82 actual increase (decrease) | 1981–82 percent increase (decrease) | 1983 | 1982–83 actual increase (decrease) | 1982–83 percent increase (decrease) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Housing | 4,755,738 | 556,900 | 13.3 | 4,204,850 | (550,888) | (11.6) | 4,228,632 | 23,782 | .6 | 13,189,220 |
| Transportation | 1,879,868 | 169,352 | 9.9 | 1,735,262 | (144,607) | (7.7) | 1,577,767 | (157,494) | (9.1) | 5,192,897 |
| Public safety | 151,206 | (88,895) | (37.0) | 72,605 | (78,601) | (52.0) | 29,608 | (42,997) | (59.2) | 253,419 |
| Employment | 3,905,084 | (1,368,501) | (26.0) | 2,516,535 | (1,388,548) | (35.6) | 2,426,764 | (89,772) | (3.6) | 8,848,383 |
| Environment | 2,042,824 | (408,634) | (16.7) | 1,845,646 | (197,178) | (9.7) | 1,390,238 | (455,408) | (24.7) | 5,278,708 |
| Economic development and opportunity | 549,610 | (1,039,563) | (65.4) | 178,753 | (370,857) | (67.5) | 115,275 | (63,478) | (35.5) | 843,638 |
| Education | 3,665,827 | (16,283) | (.4) | 3,245,778 | (420,049) | (11.5) | 2,828,525 | (417,253) | (12.9) | 9,740,130 |
| Health and welfare | 16,502,540 | 1,394,927 | 9.2 | 15,210,167 | (1,292,373) | (7.8) | 15,458,219 | 248,053 | 1.6 | 47,170,926 |
| Total | 38,452,698 | (800,697) | (2.3) | 29,009,597 | (4,443,101) | (13.3) | 28,055,029 | (954,568) | (3.3) | 90,517,321 |



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